

NOMINATIONS PASSED OVER

The VICE PRESIDENT. The calendar is in order.

Mr. ROBINSON of Arkansas. Mr. President, I suggest that the first two nominations on the calendar be passed over under arrangements which are well understood.

The VICE PRESIDENT. Without objection, the first two nominations on the calendar will be passed over.

THE JUDICIARY

The legislative clerk read the nomination of Guy C. Reeve to be United States marshal, southern district of Florida.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

POSTMASTERS

The legislative clerk proceeded to read sundry nominations of postmasters.

Mr. ROBINSON of Arkansas. I ask unanimous consent that nominations of postmasters be confirmed en bloc.

The VICE PRESIDENT. Without objection, it is so ordered, and the nominations are confirmed en bloc. That completes the calendar.

RECESS

The Senate resumed legislative session.

Mr. ROBINSON of Arkansas. I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock p.m.) the Senate took a recess until tomorrow, Thursday, May 3, 1934, at 12 o'clock meridian.

CONFIRMATIONS

Executive nominations confirmed by the Senate May 2 (legislative day of Apr. 26), 1934

UNITED STATES MARSHAL

Guy C. Reeve to be United States marshal, southern district of Florida.

POSTMASTERS

ARIZONA

Waltice B. Ham, Somerton.

CONNECTICUT

Felix J. Wakely, Central Village.

Joseph J. O'Loughlin, Lakeville.

IOWA

Ruth F. Hollingshead, Albia.

Zoe P. Way, Bussey.

Hollis S. Saar, Cantril.

Mark R. Doud, Douds.

Benjamin J. Stong, Keosauqua.

Floyd Stotts, Melcher.

Russell G. Mellinger, Oakville.

Tomie L. Smith, Pleasantville.

James B. McLaughlin, Preston.

Mary L. Tyner, Salem.

Mary E. Kohorst, Templeton.

KENTUCKY

Lois B. Cundiff, Cadiz.

John H. Mitchell, Salem.

MASSACHUSETTS

Elizabeth C. Hall, Point Independence.

NEW JERSEY

Herbert E. Poulson, Far Hills.

John D. Bunn, Long Valley.

John F. Bigley, Magnolia.

Edward J. Wagner, Marlton.

Marion M. Klockner, Mercerville.

Frank Martin, Midland Park.

Jeremiah B. Beaston, Mount Ephraim.

Charles Earle Post, Newfoundland.

John Ellmyer, Sr., Nixon.

Albert P. Troy, Palisade.

Joseph G. Gallagher, Ridgewood.

Joseph S. Sickler, Salem.

James F. Crockford, West Englewood.

OHIO

Frank G. Schalmo, Canal Fulton.

Paul C. Miller, Canal Winchester.

Charles J. Bocklet, Cincinnati.

Lloyd D. Poorman, Dalton.

Earl J. Brulport, Fayetteville.

Samuel E. Fleming, Manchester.

Lillian C. Goodell, Mantua.

Calvin H. Love, Maumee.

Joseph W. Cavalier, Oakharbor.

Charles Edward Kirschner, Toledo.

Ray S. Coates, Wellington.

OREGON

Harold C. Kizer, Harrisburg.

Grace E. Neibert, Stayton.

William A. Parsons, Waldport.

PUERTO RICO

Concepcion Torrens de Arrillaga, Anasco.

Teresa Melendez, Arroyo.

Leonor G. Rodriguez, Guayanilla.

Antonio Molina, Juncos.

Luis E. Kolb, Utuado.

Teodoro M. Lopez, Vega Baja.

TENNESSEE

Roy D. Murphey, Adams.

TEXAS

Sant M. Perry, Frankston.

HOUSE OF REPRESENTATIVES

WEDNESDAY, MAY 2, 1934

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, DD., offered the following prayer:

Almighty God, our Heavenly Father, Thou who hast not set a limit to the richness of love, to the power of self-sacrifice, nor to the sublimity of purity, redeem us by the hallowing grace of our Savior. May we have a growing capacity for the moral life with its exalted standards. In the highest reaches of character, blessed Father, let us experience the satisfactions of a godly life. Let not our labor be just a simple compliance to duty, but an eager impulse which touches the spring of fidelity, honor, and honesty. Thou God of our people, Thou Shepherd of the roadside, guide us in all our uncertain ways. O breathe upon us the breath of the sanctuary, and may Thy name be known, loved, and honored among us. Through Jesus Christ our Lord. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate had passed with an amendment, in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 5950. An act to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States", approved July 1, 1898, and acts amendatory thereof and supplementary thereto.

The message also announced that the Senate insists upon its amendment to the foregoing bill, requests a conference with the House thereon, and appoints Mr. NEELY, Mr. McCARRAN, and Mr. AUSTIN to be the conferees on the part of the Senate.

EXPLANATION OF VOTE

Mr. BYRNS. Mr. Speaker, the gentleman from Ohio [Mr. UNDERWOOD], was excused from attendance yesterday on account of important business. I am requested to state that if he had been present he would have voted "aye" on the motion to adopt the conference report on the tax bill, and also he would have voted "aye" on the motion to

insist on the disagreement to the so-called "Couzens amendment", roll calls 134 and 135.

LEAVE OF ABSENCE

Mr. BYRNS. Mr. Speaker, I ask unanimous consent that the gentleman from Georgia [Mr. Wood] be excused on account of death in his family.

The SPEAKER. Without objection, it is so ordered. There was no objection.

FIFTY-CENT PIECE IN COMMEMORATION OF THREE HUNDREDTH ANNIVERSARY OF FOUNDING OF THE PROVINCE OF MARYLAND

Mr. SOMERS of New York. Mr. Speaker, I ask unanimous consent for the present consideration of the bill (S. 2966) to authorize the coinage of 50-cent pieces in commemoration of the three-hundredth anniversary of the founding of the Province of Maryland.

Mr. RAYBURN. Well, Mr. Speaker, if this is going to bring about any debate, I will object.

Mr. SOMERS of New York. There is no debate, as far as I know.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. SOMERS]?

There was no objection.

The Clerk read as follows:

Be it enacted, etc., That, in commemoration of the three hundredth anniversary of the founding of the Province of Maryland, there shall be coined by the Director of the Mint ten thousand 50-cent pieces of standard size, weight, and silver fineness and of a special appropriate design to be fixed by the Director of the Mint, with the approval of the Secretary of the Treasury, to be legal tender in all payments at face value.

SEC. 2. That the coins herein authorized shall be issued at par and only upon the request of the chairman or secretary of the Maryland Tercentenary Commission.

SEC. 3. Such coins may be disposed of at par or at a premium by said commission and all proceeds shall be used in furtherance of the Maryland Tercentenary Commission projects.

SEC. 4. That all laws now in force relating to the subsidiary silver coins of the United States and the coining or striking of the same; regulating and guarding the process of coinage; providing for the purchase of material, and for the transportation, distribution, and redemption of the coins; for the prevention of debasement or counterfeiting; for security of the coin; or for any other purposes, whether said laws are penal or otherwise, shall, so far as applicable, apply to the coinage herein directed.

With the following committee amendments:

Page 1, line 5, strike out the word "ten" and insert in lieu thereof the word "twenty-five"; after the word "thousand" in line 5, insert "silver"; in line 6, after the word "and" strike out "silver"; and in line 9, after the word "Treasury", strike out "to be legal tender in all payments at face value", and insert "but the United States shall not be subject to the expense of making the models for master dies or other preparations for this coinage."

Mr. BLANTON. Mr. Speaker, I rise in opposition to the committee amendment for the purpose of asking some questions. While we are striking out "10,000" and inserting "25,000", why not insert "100,000", and get that much more silver in circulation?

Mr. SOMERS of New York. Of course, that might be a good argument to get more silver in circulation if more than 25,000 of these coins were in the habit of going into circulation. The committee took this up with the department and decided that 25,000 was about the proper number.

Mr. BLANTON. The gentleman knows from his experience with respect to such matters that most of these coins are immediately taken out of circulation. They are sold at a premium and they are put into somebody's memento box. I am willing for that to be done, but in order to get about 75,000 in actual circulation, so that the people will have a 50-cent piece in their pockets once in a while, why not increase it to 100,000?

Mr. SOMERS of New York. Unfortunately, the history of these coins has been that they never go into circulation.

Mr. BLANTON. I know, but I want to put some of them in circulation.

Mr. SOMERS of New York. I do not know of any method compelling that. If I did, I would be glad to amend the bill.

Mr. BLANTON. I withdraw the pro forma amendment, Mr. Speaker.

The committee amendments were agreed to.

The bill as amended was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

MEMORIAL SERVICES, MARQUIS DE LA FAYETTE

Mr. BANKHEAD. Mr. Speaker, I call up House Concurrent Resolution No. 37, a rather urgent matter.

The Clerk read, as follows:

House Concurrent Resolution 37

Resolved by the House of Representatives (the Senate concurring). That in commemoration of the one hundredth anniversary of the death of Gilbert du Motier, Marquis de La Fayette, the two Houses of Congress shall assemble in the Hall of the House of Representatives at 11 o'clock antemeridian, on Sunday, May 20, 1934.

That a joint committee consisting of 5 Members of the House of Representatives and 5 Members of the Senate shall be appointed by the Speaker of the House of Representatives and the President of the Senate, respectively, which is empowered to make suitable arrangements for fitting and proper exercises for the joint session of Congress herein authorized.

That invitations to attend the exercises be extended to the President of the United States and the members of his Cabinet, the Chief Justice and Associate Justices of the Supreme Court of the United States, the Diplomatic Corps (through the Secretary of State), the General of the Armies, the Chief of Staff of the Army, the Chief of Naval Operations, the Major General Commandant of the Marine Corps, and the Commandant of the Coast Guard, and such other persons as the joint committee on arrangements shall deem proper.

That the President of the United States is hereby invited to address the American people at the joint session of the Congress in commemoration of the centennial anniversary of the death of General La Fayette.

Mr. SNELL. Reserving the right to object, what is this for?

Mr. BANKHEAD. This is a privileged report from the committee.

Mr. SNELL. I understand that. Will the gentleman tell us what it is for?

Mr. BANKHEAD. I imagine that most Members of the House are familiar with the purpose of this celebration. Sometime ago a select committee was appointed.

Mr. SNELL. Does this mean another select committee is to be appointed?

Mr. BANKHEAD. Oh, no. This is simply carrying out the existing arrangements for the celebration of the anniversary of the death of General La Fayette. It simply authorizes this committee to carry out the program that has already been arranged. The invitations have already been printed and are waiting to be sent out. It is merely a formal authorization for the conduct of the service.

Mr. BLANTON. Will the gentleman yield?

Mr. BANKHEAD. I yield.

Mr. BLANTON. The date of this memorial service contemplates, of course, that Congress will be in session on May 20?

Mr. BANKHEAD. It is on Sunday, May 20.

Mr. BLANTON. It is not intended that these memorial services shall occur after sine die adjournment, is it? The purpose of my inquiry is this: The House is practically through with its business. Is there any reason why we should be kept here until May 20 or until the 1st of June, that the gentleman knows of, unless it is some purposed delay of somebody somewhere? Why can we not get through with the business of Congress and go home?

Mr. BANKHEAD. I may say in reply to the inquiry of the gentleman from Texas that I am just as anxious as he or any other Member to get through the program of the House, and I hope that we can do it as expeditiously as possible. Of course, if the House should not be in session at that time, only those Members could attend who were in the city; but I say to the gentleman in all candor that in my opinion it will be physically impossible for this session of Congress to adjourn by the 20th of May.

Mr. BLANTON. The point of my inquiry is this: Cannot we, 435 Members, aided by the Speaker, the majority leader, the minority leader, and the great Chairman of the great Rules Committee, begin kindling some fires that will burn up all obstacles standing between us and an early adjournment? It looks as though we should get away from here

by the end of this month, and I think we ought to start the program now so that we can get away.

Mr. BANKHEAD. I think the gentleman will agree with me that as far as the organization of the House is concerned, it is proceeding with as much expedition as possible to conclude the program. The Committee on Rules is having practically daily sessions to authorize the consideration of bills that are urgent.

Mr. BLANTON. And some of them are very unimportant.

Mr. BANKHEAD. There may be some difference of opinion about that.

Mr. TRUAX. Mr. Speaker, will the gentleman yield?

Mr. BANKHEAD. I yield.

Mr. TRUAX. I am in entire accord with what the gentleman from Alabama has just stated. I would like to know upon whose authority the gentleman from Texas states that the House is through with its business.

Mr. BLANTON. I said we were practically through; and we are practically through. We have passed all of the supply bills and we are waiting on the Senate.

Mr. TRUAX. I do not agree with the gentleman from Texas. We should take up and consider the Frazier bill, the McLeod bill, and a number of other pieces of important legislation.

Mr. BRITTEN. Mr. Speaker, will the gentleman yield?

Mr. BANKHEAD. I yield.

Mr. BRITTEN. I am interested in what the gentleman said about the physical impossibility of adjourning by the 20th of May.

Mr. BANKHEAD. Perhaps the word "physical" was used improvidently. There might be some other considerations in the matter.

Mr. BRITTEN. Does not the gentleman believe that the date of adjournment will be nearer June 15?

Mr. BANKHEAD. I am not a prophet; I would not undertake to hazard a guess about that. The gentleman from Illinois knows there is considerable reported legislation that has not been disposed of.

Mr. BRITTEN. There is a lot of it.

Mr. BANKHEAD. If things take their ordinary course, I am not at all sure that we are going to be here until the 15th of June, but I feel reasonably confident that it will be impossible to adjourn this session of Congress by the 20th of May. This is my own personal opinion only, although I trust I may be mistaken.

Mr. SNELL. A lot of people feel the same way.

Mr. BLANTON. If we could just keep the necessity for an early adjournment before us daily, we may get an adjournment by the latter part of this month, and I know that it would be to the best interests of the people.

Mr. Speaker, I move the previous question.

The previous question was ordered.

The House concurrent resolution was adopted.

A motion to reconsider was laid on the table.

PERMISSION TO ADDRESS THE HOUSE

Mr. FREAR. Mr. Speaker, I ask unanimous consent to address the House for 2 minutes.

Mr. RAYBURN. Mr. Speaker, I shall object.

Mr. FREAR. Then I shall make the point of order there is not a quorum present. I ask but a very brief time to say a word on an important matter.

Mr. RAYBURN. I regret that I have to object, but I must do so to keep faith with others. Half a dozen Members have made similar requests of me this morning, and I told them I would have to object; so to adhere to my word to them I must object in this case also.

Mr. FREAR. I think the gentleman would not object if he understood the matter.

Mr. RAYBURN. I must keep my word to the other Members.

FEDERAL ALCOHOL CONTROL ADMINISTRATION

Mr. BOYLAN. Mr. Speaker, at the request of my colleague, the gentleman from New York [Mr. Celler], I ask unanimous consent that he may be permitted to extend his remarks in the Record and include therein a copy of a pro-

test against the Federal alcohol-control legislation filed with the President and signed by 12 Members of the House.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. CELLER. Mr. Speaker, under the leave to extend my remarks in the Record, I include the following protest against the Federal alcohol control legislation filed with the President and signed by 12 Members of the House:

The Federal Alcohol Control Administration was set up by Executive order of President Roosevelt, by virtue of authority vested in him under title I of the National Recovery Administration. It was to be an interim administration for the purpose of making investigation and study relative to the coordination of the activities of the Government pertaining to taxation, control, and regulation of alcoholic beverages, as well as to the exercise of such powers vested in it by any code of fair competition under the N.R.A. and the A.A.A. The setting up of the F.A.C.A. was not recommended by the Interdepartment Committee—composed of important officials of the Treasury Department, the Departments of State, Commerce, Justice, and Agriculture, and the Tariff Commission. A number of the members of this committee actively opposed the establishment of such a bureau.

The F.A.C.A., in the short space of time that it has functioned, has gone beyond the purposes for which it was established. It has interfered with the orderly and natural growth of the reborn liquor industry. It has encroached upon the activities of the Bureau of Customs, the Bureau of Internal Revenue, the Bureau of Pure Food and Drugs of the Department of Agriculture, and the Department of Justice and other agencies of the Government. It has thereby created a great deal of ill will among members of the liquor industry and among the officials of these departments.

It was plainly the purpose of the administration, in the promulgation of codes under the N.R.A. and the A.A.A., to allow industries to fashion their own codes and to govern themselves. However, this purpose has been frustrated. The various integers of the liquor industry were not permitted to draft their own codes. The F.A.C.A. forced upon them most rigid and unfair provisions. The F.A.C.A. brooked no opposition.

There has thus been thrust upon the industry a sort of superpower called the "F.A.C.A." There is no appeal from the decisions of the F.A.C.A. There is no provision for judicial review. Its edicts are final. This intense bureaucratic control of the industry has placed it in a sort of strait-jacket.

Regulations that are most burdensome have made it difficult for the legitimate trader to function and quite easy for the bootlegger and illegitimate trader to prosper. This superpower, the F.A.C.A., now decides who may manufacture, import, rectify, and wholesale, and to what extent. This is done by an elaborate system of quotas and permits. The legal basis for this procedure is doubtful. One may ask to what length the Government intends to go in the matter of control of the market and the abolition of competition, as well as the setting up of a permit system which was supposedly eliminated by repeal.

Under the N.R.A., the President may invoke the license, permitting a business to function, but he can do this only when he can find "destructive wage or price cutting." This power is drastic and far-reaching. The President has not seen fit as yet to use it in any industry. Nevertheless, the F.A.C.A. has the temerity to use the license or permit system in the liquor industry. It may point to its power under the codes. That power, however, was forced upon an unwilling industry. Not even the famous consent-in-advance theory can justify it.

Congress recognized that this power of license was too drastic and limited the President's authority in that regard to a single year—until July 16 next. Even General Johnson has announced, wisely, that the licensing power shall be allowed to expire.

The license or permit system in the liquor industry must also terminate. It has no vestige of right to existence.

Industry dare not complain. Applicants fear that complaints will cut down their quotas, impair their permits and generally prejudice them in their relations with the administration.

Members of Congress have not been treated courteously, officials of the F.A.C.A. are inaccessible, telephone calls are disregarded, written communications are either ignored or answers thereto are delayed unduly. Members of Congress have been denied the right to petition the Chairman-Director of the F.A.C.A. to register complaints.

This protest is made with no desire to impugn the motives or sincerity of anyone connected with the F.A.C.A. We disagree with its policies, not with personalities. The system must be changed.

When the people voted for repeal of the eighteenth amendment they wished to get the Government out of the liquor business. Control was to be returned to the States. Under the F.A.C.A. and the codes that it has forced upon the industry, the Federal Government is in the liquor business almost as much as before. Contrary to the Democratic platform, the Government is not relegating control back to the States.

The Federal Government should only be interested in its customs, the protection of its revenue, and the protection of dry States. The dry States are still protected under the Webb-Kenyon Act, the Wilson Original Packages Act, the Reed bone-dry amendment, and the provisions of the Cullen law. There should be the least possible interference in the regulation of the indus-

try by the Government, and the codes must be applied more liberally.

The F.A.C.A. was to be an interim affair. However, the industry is well on its way. About 520,000 gallons of beverage spirits are being distilled daily. There are 333 rectifying plants. There are 600 breweries, producing almost 3,000,000 gallons of beer daily. There are 710 wineries, 5,400 wholesale liquor dealers, 165,000 retail liquor dealers, and 182,000 retail beer dealers. This is no longer an interim affair. In all likelihood, over 1,500,000 persons are directly and indirectly employed. It is one of the greatest recoveries in the national recovery era. This business, therefore, is entitled to permanent State control and not an interim Federal control.

On March 5, President Roosevelt in his speech to the general N.R.A. conference, in part said: "Antitrust laws must continue in their major purpose of retaining competition and preventing monopoly." Yet in the allocation of quotas of Scotch whisky, it is admitted that the F.A.C.A. gave decided preference to the brands of the British whisky trust, called the Distillers Corporation, Ltd. It has, however, been indicated by responsible persons that 50 percent of the Scotch whisky was allocated to representatives of the British trust. This is indeed a far cry from the text of President Roosevelt's address concerning the discouragement of monopolies.

Many importers, through no fault of their own, particularly during the second period, were granted no quotas of wines or liquors. In numerous instances, it is admitted by the F.A.C.A. that the applications were in order, but that through oversight or inability to cope with the tremendous amount of work placed upon it, or due even to negligence of employees, these applications were not passed upon prior to a given date. In other words, through no fault of their own, these importers were deprived of the quotas to which they were entitled. The F.A.C.A., however, was obdurate to all protests. No relief, whatsoever, was afforded, although the F.A.C.A. admitted that in numerous cases injustice had been done.

The F.A.C.A. has been guilty of setting up foolish, piddling, and annoying regulations, due to the fact, very likely, that some of the members of the F.A.C.A. have no knowledge of the business. In their misguided enthusiasm, they have foisted upon the industry, regulations that have no real relation to the needs and exigencies governing the trade. For example:

1. It is ruled that an importer cannot sell brandy or wine to a mincemeat manufacturer. This is a trifling regulation that only can cause annoyance, and is of no real value to anyone.

2. From time immemorial the trade has used what is known as bottles of one fifth size; that is, containing one fifth of a gallon. In an endeavor to regulate the drinking habits of the Nation and for the purpose of discouraging the use of fifths, the F.A.C.A. has ruled that all bottles must be labeled in accordance with contents in terms of quarts. If a bottle, for example, contains 1 pint 9 ounces (and the pure food and drug law would require that the label contain the legend "1 pint 9 ounces"), the new regulations of the F.A.C.A. require that the label contain the legend "twenty-five thirty-seconds of a quart." This fraction of a quart conveys no real information to the consumer, whereas the term 1 pint 9 ounces does. This regulation is manifestly foolish and annoying.

3. This regulation, however, the F.A.C.A. has declared shall apply to cognac and distilled spirits, but need not apply to wines. Why this distinction is made is difficult to understand.

4. The trade has been labeling its products under the pure food and drug law and the internal revenue law. The F.A.C.A. changed these laws, by what right it is difficult to understand. It is not above the Treasury nor the Department of Agriculture. Furthermore, the trade was given an insufferably short period to adjust itself to its regulations. The domestic manufacturers were given 30 days originally and the importers 60 days. One concern suffered, it is reported, a loss of \$400,000 due to the oversupply of cartons, bottles, and labels banned by the regulation, since no proper time of grace was given within which to use these supplies. Only after the greatest effort was the time extended, and then for only a comparatively brief period. No consideration was given to the fact that some of the imported goods were on tramp steamers coming from places as distant as Italy and Russia, where it would be impossible to effect such changes in 60 days. Here again it is charged and protested that the regulations were made without knowledge of the industry or the calling in of experts for advice.

5. The F.A.C.A. issued a regulation to the effect that straight whisky could not be bottled by a rectifier. Only the distiller could bottle straight whisky. This restriction was most onerous as far as the small dealer was concerned. President Roosevelt, and all sane-minded persons desire that pure, wholesome straight whisky be made available as widely and as cheaply as possible. Playing into the hands of the distillers in this fashion prevents wide distribution of good, wholesome, straight whisky, and discriminates against the small rectifier and wholesaler.

6. Although the F.A.C.A. has been in existence only a few months, it has issued a large number of regulations and press releases. Each one of them makes it more difficult for the small merchant to function. He cannot come from distant parts to Washington to register complaints and get relief. He cannot afford to hire lawyers. These voluminous regulations increase the cost of doing business. This cost is passed on to the consumer.

7. These rigid regulations, furthermore, give aid and comfort to the bootlegger, who can easily avoid the regulations due to inability and failure of enforcement, whereas the legitimate

trader must live up to them. The F.A.C.A. cannot enforce its regulations. It has no power. It has not even an investigational force. We thought we had destroyed the rum rows along our sea-coast. It is noted that rum row lives again. St. Michelen has again become a haven of rum runners and smugglers. It is reported that huge supplies of liquor destined for United States bootleggers are warehoused there. Smuggling, particularly as a result of rigid quota regulations, has increased tremendously. Only due to vehement protests were quotas for the third period lifted. They must be abolished entirely. They serve no good purpose. They encourage smuggling.

8. A regulation was issued requiring any State that had set up a liquor-control board and was in the liquor business to obtain, first, a permit before it could import from abroad. This applied to States like Michigan, Ohio, Pennsylvania, Montana, Oregon, and Washington. It is difficult to understand by what right any bureau of the Government could thus encroach upon the sovereignty of any Commonwealth. It only serves to indicate to what extremes the F.A.C.A. has gone in the exercise of its alleged authority.

This protest and criticism is made in the hope that beneficial changes will result. Either the F.A.C.A. must be abolished or it must be reorganized. It must, in any event, be responsive to the reasonable requests of Members of Congress, and instructions must be given that Members of Congress be treated with uniform courtesy and prompt attention. Furthermore, the F.A.C.A. must recede from its position of a supergovernmental agency. It must do away with the system of permits. It shall not say who may or who may not go into the liquor business. That is a matter for the States. Codes must be changed to give back to the trade the right to govern itself.

Patrick J. Boland, Member of Congress; James J. Lanzetta, Member of Congress; Samuel Dickstein, Member of Congress; George W. Lindsay, Member of Congress; Fred A. Hartley, Jr., Member of Congress; Emanuel Celler, Member of Congress; Francis E. Walter, Member of Congress; Martin L. Sweeney, Member of Congress; John J. Boylan, Member of Congress; Francis B. Condon, Member of Congress; Lawrence Lewis, Member of Congress; A. J. Sabath, Member of Congress.

FEDERAL AID FOR A NEW AMERICAN DIRIGIBLE

Mr. CONDON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a short bill I introduced 2 weeks ago.

The SPEAKER. Is there objection to the request of the gentleman from Rhode Island?

There was no objection.

Mr. CONDON. Mr. Speaker, a few weeks ago I introduced a bill authorizing the Reconstruction Finance Corporation to make a loan for the construction and operation of airships in overseas trade, the provisions of which are as follows:

Be it enacted, etc., That for the purpose of fostering the American airship industry and to promote American overseas trade with use of commercial airships, to be available in time of war, to encourage American design, construction, and operation of airships, to demonstrate the value and profit of overseas airship service thus to promote its extension with private capital, and to provide immediate employment in airship construction, the Reconstruction Finance Corporation is authorized and directed to lend the sum of \$12,000,000 to the Respass Aeronautical Engineering Corporation for the purpose of constructing an airship plant, an Atlantic operating terminal, two airships employing the new suspension-bridge-type structure and each having not less than 7,000,000 cubic feet gas capacity, and for operating these airships in commercial service from the United States to England or an European country. Such loan shall carry interest charges at the rate of 3½ percent per annum, which shall cumulate during the period of constructing and testing such airships, and shall remain a lien on the patents and patent rights and all present and subsequently acquired assets of the corporation until paid. Such loan, plus accumulated interest, shall be paid in 10 annual payments, the first payment to be made 3 years after the date of the enactment of this act.

FEDERAL AID FOR A NEW AMERICAN DIRIGIBLE

Mr. Speaker, this bill aims to promote the construction and operation of a new type of airship designed and developed by American inventive genius and engineering skill. This new airship is by no means an experiment but an assured success, having such superior structural advantages to the present rigid type of dirigible as to justify governmental financial assistance.

The purpose of this bill is not to give money out of the Treasury without recompense, nor even to subsidize private business as in the case of the air mail and the merchant marine, even though the operation of these new-type airships will be of great commercial benefit to the Nation as well as a valuable auxiliary in time of war. The bill merely seeks

to afford to this new American enterprise a loan of money which in these times is not obtainable through the usual channels of investment. The loan is strictly a business transaction providing for an adequate interest return for the use of the money and the amortization of the loan in full within a period of 10 years. In addition the Treasury is fully secured by a first lien on all the patents and other assets of the borrowing corporation until the loan is paid.

The interest of our Government in the development of lighter-than-air craft is well known. We have spent millions of dollars on such airships as the *Los Angeles*, *Akron*, and *Macon* on the theory that this type of aircraft has a distinct military value. Notwithstanding unfortunate accidents to two ships, our naval officials are still convinced that these airships are well worth the expenditure of Government funds.

The country must therefore be vitally interested in any improvement of such airships in the direction of greater strength and safety, cheaper cost of construction and maintenance, wider range of use, and more efficiency and dependability in operation. Among other things these are some of the major advantages of this new type of American dirigible over the traditional German type as represented by the *Macon*.

The inventor of this new ship, Roland B. Respass, who has organized a corporation owned and controlled by him to develop his invention commercially, claims all of these advantages for his ship, and has demonstrated their existence to the satisfaction of outstanding engineers and experts in the construction of aircraft and aerial structures. He requests the Government to assist him in promoting the construction and operation of this airship, because the enterprise is one that is and should be of deep interest to us, not only from the standpoint of national defense but from a wise consideration of our commercial interests in foreign and domestic trade.

Because Mr. Respass is a resident of my State of Rhode Island I have had the privilege of learning from him and his consulting engineers the value and utility of his invention, and I am happy to have the opportunity to present his claims for governmental aid to the consideration of the Congress.

I lay no claim to an expert knowledge of either aviation or the construction of aircrafts, but I am satisfied that Mr. Respass has a proposition that deserves and should receive the serious consideration of the Federal Government. In my opinion Congress cannot afford to disregard this opportunity to promote an undoubted advance in airship construction by which our country can be placed in the forefront of air navigation by lighter-than-air craft.

All forward-looking nations are interested in navigation of the air by airships and their greater use in peace and war. The existing type of dirigible is not the last word in the development of the dirigible. Rather it is more in the nature of a pioneer in the field.

ADVANTAGES OF RESPASS NEW TYPE AIRSHIP

The Respass airship represents a tremendous advance in the construction of this type of aircraft. It comprises a number of distinct improvements, chief of which is its suspension-bridge type structure. This structure consists primarily in a rigid central member in the form of a tube which extends centrally from bow to stern. Attached to this central member are a series of transverse wheel-like frames, between which the gas bags are mounted, the diameter of each frame being determined by the contour of the airship in its particular position.

Flexibly mounted on and connected to the transverse frames are longitudinal steel wires which are continuous from bow to stern and fastened to the ends of the central member at the bow and stern. A similar set of wires are attached to the perimeters of the frames at an angle and serve to take up sheer loads. All the wires are of high-strength steel suspension-bridge type, tested and specially treated to resist corrosion.

Such structure composes a spar of predetermined dirigible form and size, with the longitudinal central member and the transverse wheel-like frames forming the body and the

exterior wire hull functioning in the nature of a suspension bridge.

This structure is flexible to a degree that it is not possible to attain in the conventional rigid-frame airship, and is sufficiently rigid to insure this characteristic advantage which is desirable in flight. All wires or cables are in tension, and the entire structure is susceptible to exact calculation upon normal engineering principles and will develop far greater intrinsic strength with result in increased safety and length of service.

The familiar type of dirigible so well known to the public was developed in Germany and is now built with a frame of duralumin rings and girders. This frame is thin sheet material that is subject to rapid deterioration in service. The useful life of such a ship in regular crossing of the Atlantic must therefore be comparatively brief.

Another obstacle to the practical and regular use of the German dirigible on a commercially profitable basis is the high cost of fabrication of their structures, requiring, as it does, special tools, dies, equipment, and the hand assembly of millions of small parts. In addition to the obstacle of great cost, this type of structure is easily susceptible to serious and even disastrous accident if confronted with unusual weather conditions producing stresses of a severe nature in the framework of the ship.

This lack of the elements of safety and moderate cost has done much to retard the more widespread use of the airship in the last 10 years of greatly enlarged use of aircraft. The paramount question in the public mind is this matter of safety. Any improvement in the dirigible that will assure the public of the existence of this factor in lighter-than-air craft will undoubtedly result in the popularity of the airship, and especially so if such improvements result in a greatly lessened cost of construction so that it is economically profitable to build and operate a sufficient number of these ships for a regular Atlantic crossing service, and ultimately the Pacific.

The Respass airship meets these requirements fully, and ought to be built here by American workmen, and not permitted to go to England or elsewhere. Our country has always been foremost in the development of every new form of transportation. This was true of the steamship, the railroad, the automobile, and the airplane, and it ought to be true of the airship. The Federal Government by act of Congress has assisted in some of this past development, even to the extent of granting public funds and subsidies. In this instance merely a loan is asked.

Airship travel, it has been recently said, is an accepted fact. The *Graf Zeppelin* is about ready to resume her South Atlantic service from Germany to Brazil for her fourth season. This ship has made more than 60 crossings, and another and larger ship is under construction in Germany. Apparently that nation is determined to maintain her supremacy in this type of air navigation.

We have neglected this form of air travel too long. It is time, now that American inventors and engineers have designed a new type of dirigible of greatly increased safety and low cost of original construction and operation, for Congress to authorize the administration, through the Reconstruction Finance Corporation or other appropriate governmental agency, to give financial assistance to this new development.

Some years ago Congress made a move in the direction of possible future development of airship travel when it appropriated the sum of \$11,000,000 for the segregation and conservation of large supplies of helium gas and declined to permit its sale to other nations. It then foresaw that airships would some day become a major form of overseas transportation, and it wisely sought to protect this valuable supply of helium against the day when it would be needed by American airships for national defense. With the building of this new type of American dirigible that day will have arrived, and the wisdom and foresight of Congress vindicated.

The development of the Respass airship has extended over a period of several years, during which time every point of

novelty in the construction of the ship was checked and rechecked not only by the inventor but by consulting engineers of the foremost rank nationally and internationally. These experts have confirmed the inventor in his claim that he has tremendously improved upon the existing type of airship. They agree that the Respass ship will, after a brief experience in operation, convince the most skeptical that it is superior to the German dirigible and will inevitably make that type obsolete.

This experimentation and examination has been expensive but the inventor has furnished the funds for it out of his personal resources and now he asks for aid of the Government to put his project into actual operation because of the present dearth of private funds for investment, and because he believes, and rightly so, in my opinion, that our Government has an interest of a public nature in seeing that this advance in the use of lighter-than-air craft be made in America under American auspices.

This loan, if authorized by the passage of my bill, H.R. 9177, will be drawn upon as required for construction of the ship over a period of 2 years. It is intended to construct a manufacturing plant with a capacity sufficient for the construction of two of these airships at the same time; also an air field of large size, together with a terminal airship dock for the storage and repair of one airship. This airship dock will likewise be built on the principle of a suspension-bridge type of structure. These ships will both be larger than the *Macon* and yet be equal in cruising speed to the *Macon's* highest speed.

The proceeds of the loan after this work is completed will be employed in establishing a regular trans-Atlantic service to England over the great circle route from some advantageous point in New England. Based on experience in such trans-Atlantic service it is the hope to later provide Pacific service as well as a transcontinental service within the country, from coast to coast.

All of these plans have been carefully thought out and more consideration will be given them during the period of construction. Immediately upon the authorization of the loan the inventor and the borrowing corporation will definitely conclude present tentative plans for the site of the manufacturing plant which it is now agreed can best be established in a mild climate such as Florida or California.

I have felt it worth while to briefly state these facts in further explanation and support of H.R. 9177 to give the House a fairly complete idea of what is sought to be accomplished by this legislation and an idea as well of the merit of the proposal from the point of view of the Government. I hope the Committee on Banking and Currency, to whom the bill has been referred, will give it serious consideration and afford the inventor of this remarkable airship an opportunity to more fully present his claim for governmental recognition and financial aid.

The Reconstruction Finance Corporation does not feel that it can undertake to make such a loan without the prior specific authorization of Congress. In this connection I hope the committee as well as Members of the House generally will consider the fact that a loan of \$29,000,000 was made to the Pennsylvania Railroad to electrify its line from New York to Washington, to provide a more modern system of railroad transportation, and that it recently loaned to the New Haven Railroad the sum of \$300,000 to purchase a new, single-unit, stream-line, diesel-engine-propelled train, for service on its line between Boston and Providence, to provide a speedier and more modern form of railroad passenger transportation. Neither of these loans are referred to in a spirit of criticism, but rather to show that the Reconstruction Finance Corporation has generously loaned Government funds to finance new plans and new methods of transportation. These loans have been commended because they have helped to relieve unemployment and will enable the railroads to perform a higher quality of public service.

This bill, if enacted, will likewise afford substantial employment and besides supplying a new and more modern type of trans-Atlantic transportation it will establish a new and important industry in the manufacturing and serv-

icing of these new airships with private capital. From every viewpoint, not only of foreign and domestic commerce but of national defense as well, this bill ought to receive serious consideration before this Congress adjourns.

SECURITIES EXCHANGE BILL

Mr. FREAR. Mr. Speaker, I made the point of order that a quorum is not present.

The SPEAKER. The Chair will count.

Mr. FREAR. Mr. Speaker, I withdraw my point of order, having been promised 2 minutes.

Mr. RAYBURN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H.R. 9323) to provide for the regulation of securities exchanges and of over-the-counter markets operating in interstate and foreign commerce and through the mails, to prevent inequitable and unfair practices on such exchanges and markets, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H.R. 9323, the securities exchange bill, with Mr. TAYLOR of Colorado in the chair.

The Clerk read the title of the bill.

Mr. COOPER of Ohio. Mr. Chairman, I yield 2 minutes to the gentleman from Wisconsin [Mr. FREAR] and I ask that he may be permitted to speak out of order for the 2 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. FREAR. Mr. Chairman, a subcommittee of the Ways and Means Committee with which I am acting has before it today, and will have the balance of the week, the question of community taxes. This is an important question.

The testimony has shown that eight States—not New York, not Illinois or Ohio, but eight other Western States—would pay \$40,000,000 to \$60,000,000 more annually for income taxes if they were put upon the same basis as the other 40 States. This is important. We have before us in that subcommittee today attorneys general from practically all the eight States and a number of other witnesses. There are Members here on the floor that came over there to be heard. I ask and extend the invitation to you, after talking with the chairman, Mr. SHALLENBERGER, to come there and testify as to what you believe in reference to the fairness or unfairness of the present system, or that we go on the same basis as those States. We invite you to come over there and give us your views.

There is a question of constitutionality, but we will not pass upon that. All of the attorneys from the Treasury Department, attorneys from the committee, and from the Attorney General's Department agree and say that it is proper to submit that question to the Supreme Court. I would like to have all of you who care to be heard come over there to the committee room and make any statement on the bill that will aid us, if you are interested in your State. [Applause.]

Mr. COOPER of Ohio. Mr. Chairman, I yield 30 minutes to the gentleman from Michigan [Mr. MAPES].

Mr. MAPES. Mr. Chairman, I am in favor of legislation to regulate stock exchanges, and I am supporting this bill. I supported it in the Committee on Interstate and Foreign Commerce, as the members of that committee know. I am supporting this bill because, in my opinion, it is the only proposal that has been suggested to Congress at least that will effectively regulate stock exchanges.

I may say that I have studied the bill and the legislation so much that I have had little opportunity and no disposition to prepare or to make a formal speech on the subject. I am going to content myself with making some general observations about the legislation and then to discuss very informally some of the more important and controversial provisions of the bill.

At the outset, I should like to express my appreciation of the kindly reference of the gentleman from Texas [Mr.

RAYBURN], the chairman of the committee, to my work on the bill, and I should like to repeat here, what I have said in private conversation, that never since I have been on the committee have I known the entire committee to study a piece of legislation with more earnestness and with a keener sense of its responsibility than it has during the consideration of this legislation. The brunt of the attack against the bill has, of course, been borne by the chairman and he is entitled to the credit for having successfully piloted the bill through the committee. His ability and leadership in the committee and his steadfastness in resisting all amendments which would weaken the bill, have commanded the admiration of everyone who has kept in touch with the progress of the legislation.

I am in sympathy with the general purposes sought to be accomplished by the legislation, and I believe, as reported by the committee, it will have a tendency to accomplish those purposes, with a minimum of interference with legitimate business and industry, not excepting the business of the exchanges themselves, and with very little, if any, direct interference with local business or industry whose securities are not listed upon one of the national exchanges.

In fact, it seems to me that legitimate business not only has nothing to fear from it but that it ought to welcome it. As the editorial in Washington Star of last Monday well said:

Opponents of regulation are attacking the measure on the ground that it will hamstring business. It certainly is designed to hamstring some kinds of business—the business of fleecing lambs particularly.

It may make it necessary for stock-exchange houses and dealers to reorganize their business somewhat, but other business ought not to be materially affected by it.

I know there has been a great deal of anxiety on the part of the managers of local industry over the legislation; but, with full appreciation of the fact that no one can be quite sure of the effect that legislation of this character will have until it has been actually put into practice, it is my judgment, and I give it for whatever it may be worth, that there is little reason for anxiety in this respect over the bill as it comes from the committee. It is hoped that indirectly the legislation will be a substantial help and stimulus to all industry and commerce by preventing an undue amount of the money and credit of the Nation from going into speculative channels, and thereby making it available for business and industry. My efforts at all times have been directed toward the framing of a constructive bill, which would correct existing evils and at the same time not interfere with legitimate business. I believe that the present bill fairly accomplishes that result. The ultimate justification for it, as of other legislation, of course, must depend upon whether or not it proves to be in the public interest and for the general public good.

The bill has gone through many changes since it was first introduced. It has been redrafted several times, and each draft has differed materially from the preceding one. The bill reported by the committee is altogether different in detail from the bill as originally introduced. After full and complete hearings before the full committee, it was gone over sentence by sentence by a subcommittee of the Committee on Interstate and Foreign Commerce, and again by the full committee.

There has been so much dust kicked up over the prospect of the passage of some legislation on the subject that it has been hard at times to see the legislation itself on account of the dust. I think the dust has been cleared away some recently, and I hope that it will all be soon, so that everyone may take a good look at the bill without prejudice. It is our duty, of course, to forget who may be for or against it and consider it on its merits.

Whether the scare which business experienced was justified because of the actual provisions of the bill as first introduced, or was occasioned more because of the extreme and, in some respects, unwarranted representations and propaganda broadcast over the country by some of the representatives and leaders of business of what they conceived the effect of

its passage would be, will always remain a mooted question. The extreme criticisms of the legislation, if they ever had any foundation in fact, must have been based upon the original draft of the bill. In my judgment, they have no application to the bill in its present form. In fact, I sometimes wonder if those who have protested so loudly against the passage of this legislation in the name of business are true representatives of business in their opposition to it, or if they are not misrepresenting business in doing so. Legitimate business ought to be as anxious as anyone to have the abuses corrected which this legislation seeks to correct. No one will benefit by it more.

The opposition to the legislation has reminded me at times of the story which our highly respected friend, the gentleman from Connecticut [Mr. MERRITT] tells about former President and Chief Justice Taft. It has been so different. Upon one of his visits to England, the English people were captivated with Mr. Taft and his personality. One characteristic which especially pleased them, as described by an English barrister, was his "mastery of understatement." Some of the critics of this legislation, and of those who are in sympathy with the purpose sought to be accomplished by it, will never be accused of the exercise of that characteristic in their opposition to it. On the contrary, they may be said to be masters in the use of hyperboles and overstatements. Congress, in the consideration of important legislation, cannot afford to have its judgment controlled by any fear of hobgoblins.

The bill may not be satisfactory to those who think that all corporate abuses can be remedied by legislation or who want to reform the world all at once, and it is not satisfactory to those who are opposed to any legislation to regulate the stock exchanges, but I believe that it will meet the approval of the great majority of people after they have had an opportunity to find out what is in it. To the extreme critics of the legislation one might suggest that they read the bill. If they will take the trouble to do that, I believe that they will find that the most of their criticisms are without foundation in fact.

It is not an uncommon thing to hear someone say that he is in favor of regulating the stock exchanges, but he does not want to hurt legitimate business; that he is in favor of legislation to regulate the stock exchanges, but that this bill goes too far. I do not agree with that position when used as an excuse to oppose this bill. I can understand the position of those who do not believe that the exchanges should be regulated by law at all, but I do not think that any legislation which would effectively regulate them could be passed and be much more reasonable and conservative than this bill is.

The bill has two primary purposes in view. First, to prevent excessive speculation in corporate securities traded in on the national stock exchanges. It is not to prevent speculation. There is no thought of that, although some people can see no good in it. Nor is there any attempt to draw any distinction between speculation and investment, or to tell when speculation ends and investment begins, or when investment ends and speculation begins. It aims only to prevent excessive speculation in corporate securities. Stated in another way, it proposes to attempt to prevent an undue amount of money and credit of the Nation at any time, and especially in boom times, such as the country experienced in the twenties, from going into speculative channels, and by doing that to keep it available for business and industry. The object of the bill in that respect, as in others, is not to hurt business but to help it.

It recognizes that business depressions can only be prevented or lessened by curbing business booms and seeks to make it possible to curb unreasonable booms in the future. Is anyone prepared to say that that is not in the interest of legitimate business?

The other day I received through the mail this folder, and I presume everyone else here received it. It is a synopsis of an address by Roger W. Babson, at the University of Florida on March 14, 1934. Let us see what he says on this particular question. I call attention to the fact that he puts alongside of the moral and physical welfare of the

people a law which makes it necessary to curb booms in order to prevent depressions. I quote:

"We can make progress only by taking advantage of these three laws, namely, (1) by influencing the desires of the people for worthwhile things, (2) by recognizing that the fittest are those who develop spiritually and intellectually as well as physically and (3) by preventing business depressions through curbing business booms."

The second main objective of the bill is to provide the owners of corporate securities traded in on our national stock exchanges, and other investors, a fair and honest market or market place in which to buy or sell corporate securities. It is not to destroy the stock exchanges of the country. No sane man would do that. It is to help them maintain a fair and honest, free and open market, where the prices quoted on the exchanges will represent as nearly as may be the value of the securities there listed, uninfluenced by manipulative practices and evils which everyone condemns, including the representatives of the exchanges themselves. In other words, it aims to provide a market place where prices will reflect real values, not speculative ones.

Who is there to gainsay either one of these two objectives of the bill?

The truth of the matter is that the majority of the representatives of the exchanges themselves admit that some legislation should be passed to regulate them, to help their own governing bodies prevent recognized abuses, which they are unable to prevent or control without legislation.

Mr. Lothrop Withington, a Boston attorney, who impressed the committee as a man of candor and ability, appeared before the committee during the hearings, representing the Boston and New England Stock Exchanges and the Chicago Stock Exchange. He testified:

I have yet to find any exchange that has not only reached the conclusion that they are going to be regulated, but welcomes regulation, if it is a regulation which will make them better market places, and will eliminate practices which have brought down a national condemnation upon exchanges—abuses which should be corrected.

At another point in his testimony he said:

There are certain manipulative illegal practices which should be legislated against, and Congress will find the exchanges as glad as anybody to see teeth put into a bill with regard to those manipulative practices.

In testifying before the committee with reference to the second draft of the bill, the Governor of the Federal Reserve Board, Mr. Black, in answer to a question of one of the members, said:

I do not think anything could have stopped the gambling mania of 1929 after it got under way. I think if the Federal Reserve Board had had these authorities in 1929 and had exercised them early enough it would have curbed those excesses to a very great extent.

In the consideration of the different provisions of the bill it is necessary to keep in mind that any effective legislation regulating stock exchanges necessarily involves the consideration of other factors and subjects, which at first glance may not appear to be directly connected with stock exchanges. As stated in the report of the committee—

Speculation, manipulation, faulty credit control, investors' ignorance, and disregard of trust relationships by those whom the law should regard as fiduciaries, are all a single seamless web.

They are all interwoven and interlocked—

No one of these evils can be isolated for cure of itself alone.

I sometimes think that as Members of Congress we are afraid at times to stand up and do the things which we instinctively know ought to be done for fear of being dubbed as belonging to some particular crowd. In this case we may be afraid of being accused of being associated with the stock exchanges or being led by some member of the "brain trust."

Let me assure the membership of the House that the Committee on Interstate and Foreign Commerce is responsible for this legislation as it is now before you. The committee has taken advantage of the ability and services and information of Mr. Cohen and Mr. Corcoran and found them very helpful in the preparation of this legislation.

The committee also has welcomed the constructive suggestions of members of the stock exchanges and of business, and in some cases have found them helpful, but the judgment of the committee had to be convinced before any provision was put into the bill or taken out of it. The bill as reported is the work of the Committee on Interstate and Foreign Commerce and of no one else.

I have before me the opinion of the Supreme Court of the United States, in the American Tobacco Co. case, handed down in January 1933. In order to hearten those who are afraid of the company they may be in, in supporting or opposing this legislation, I want to read a sentence from the dissenting opinion of Mr. Justice Stone in that case. I quote:

Extension of corporate activities, distribution of corporate personnel, stockholders, and directors through many States, and the diffusion of corporate ownership, separated from corporate management, make the integrity of the conduct of large business corporations increasingly a matter of national rather than local concern, to which the Federal courts should be quick to respond when their jurisdiction is rightly invoked.

I should like to paraphrase that last clause of Mr. Justice Stone to make it read as follows: "To which the Congress of the United States should be quick to respond when its jurisdiction is rightly invoked", as it is in the bill before us.

Mr. FORD. Will the gentleman yield?

Mr. MAPES. I yield.

Mr. FORD. On page 20 of the report you touch on wash sales.

Mr. MAPES. I am coming to that. I think there is very little criticism of those provisions of the bill which outlaw the recognized abuses or evils of the stock exchanges themselves, such as wash sales, matched orders, bear and bull raids, and other evil practices understood to be directly connected with the stock exchanges themselves.

I am not going to comment at length on those, because they are not especially controversial. Wash sales, match orders, and bear and bull raids are definitely prohibited in the bill.

The Federal Trade Commission is given jurisdiction to prescribe rules and regulations to control and govern transactions relating to puts, calls, straddles, selling short, sales against the box, and some other things of that kind which the committee felt that it did not understand well enough to justify it in prohibiting altogether or limiting too rigidly, so they were left to the discretion of the Federal Trade Commission.

I am not going to discuss those features of the legislation, because I think they meet with very general approval.

I want to go now to the two sections of the bill relating to accounts and reports to be made by corporations, which have aroused the anxiety of many managers of corporations doing a local business and whose securities are not widely distributed. I should like to assure them as far as I can that this legislation is not designed to affect corporations of that nature. It is not designed to affect corporations that may have 20 or 40, or a limited number of stockholders who attend the annual meetings, are at liberty to examine the books at any time, and know what is going on. That kind of a corporation is not going to be affected by this legislation, but it is intended to affect, to regulate and control and prevent such practices as were indulged in by the American Tobacco Co., which was discussed in this dissenting opinion by Mr. Justice Stone that I have alluded to.

In that case, through salaries and bonuses, the president of the company received a salary or remuneration of over \$1,000,000 a year in 1930, and by certain stock allotment plans which were promulgated by the board of directors, his income was increased. In 1931 a plan was adopted by the board of directors for a new allotment of stock and the board solicited proxies of the stockholders for a meeting of the stockholders in which it was proposed to have them approve the plan. That stock allotment plan provided for the sale of stock to the employees. Mr. Justice Stone says there was a reference which carefully read might be said to intimate that it applied to officers, but in commenting on it he said:

It is a misuse of words of plain meaning to speak of such a proposal as a plan.

And he goes on to say:

We must interpret the proposal and the action taken by the stockholders in terms of their legitimate expectation that the directors were complying with their duty as fiduciaries and not dealing with them at arm's length. They were entitled to read the proposal in the light of the fundamental duty of directors to derive no profit from their own official action without the consent of the stockholders obtained after full and fair revelation of every circumstance which might reasonably influence them to withhold their consent.

They were entitled to assume that the proposal involved nothing which did not fairly appear on its face, and, above all, that it was not a cloak for a scheme by which the directors were to enrich themselves in great amounts at the expense of the corporation of whose interest they were the legal guardians.

We have heard a great deal about the American Tobacco case in the last few years. I wish I had the time to read you more of the dissenting opinion of Mr. Justice Stone in that case. The president of the company, under the stock-allotment plan which the stockholders approved without knowing what they were doing, took enough stock for himself to make him a profit of over \$1,000,000 if he had sold it in the market on the same day he bought it from his company. In other words, he gave the company \$25 per share for stock that was selling on the very day he got it for \$112 per share and got enough shares to make him a profit on the transaction of over \$1,000,000. His stockholders had no idea of what they were doing when they authorized proxies to vote to approve a plan which permitted such a thing. It is such things as that that this bill is designed to prevent.

We know, every member of the committee knows, that it is necessary to hold annual stockholders' meetings in order for a corporation to function. We also know that the average corporation is run honestly, and that the management does not intend to profit at the expense of its stockholders; but we realize that there is a limited number of corporations and corporate managers who have not that sense of responsibility of the fiduciary capacity they occupy to protect their stockholders and that some of them want to make money at the expense of the stockholders.

Mr. BRITTEN. Mr. Chairman, will the gentleman yield?

Mr. MAPES. Yes.

Mr. BRITTEN. In the case just cited, did the officer have an option of long time standing on that particular stock on which he made \$1,000,000?

Mr. MAPES. He had no option at all. He devised a stock-allotment plan, which would enable him to subscribe for something over 13,000 shares, sent out requests for proxies for a stockholders' meeting to approve the plan, and in his letter to the stockholders as an inducement for them to sign the proxy blank stated that if the stockholders approved they would receive an additional dividend of \$4 a share. Mr. Justice Stone says they had no information of what was going to be done, when they sent in their proxies. The action of the board of directors was confirmed, and on the day this president subscribed for these additional shares at \$25 a share, he could have gone into the market and sold them for enough above what he gave for them to net him over \$1,000,000. The shares were selling at \$112 on the day that he contracted to buy them for \$25.

Mr. BRITTEN. The reason I asked the question is this: Numberless cases have been presented to the public where officers have had options of long-time standing at very low prices.

Mr. MAPES. Yes.

Mr. BRITTEN. And many million dollars have been made in that way.

Mr. MAPES. That was not so in this case. I want now to read what one of the witnesses before the committee said about the value of corporate reports. Mr. Fred Y. Presley, president of the National Investors Corporation, New York City, and before that for 6 years the organizer and manager of the Harvard Committee on Economic Research, said this, in regard to the value of informative corporation reports:

I very strongly believe that all corporations with shares outstanding in the hands of the public should be required by legislation to report quarterly, and promptly at the end of each quarter.

In my opinion, if the public is kept fully informed currently regarding the earnings, financial status, and other considerations,

by which we are able to determine values, that there would be much less inducement or basis for pool operations, for short selling, and for those other practices of organized exchanges which have been cheap, undignified, and pretty costly to the small investor.

Pool operations, in my opinion, are reared largely on very limited information about the stock which is being engineered and manipulated to higher levels.

The only way that pool operators can make a profit, ultimately, is to distribute such stock to uninformed people—certainly not to informed people. A great many of the most important pool operations have been conducted in the stocks of companies which have not been reporting quarterly and which have been giving the public just about as little information as necessary.

With complete publicity by corporations at frequent intervals, I do not think that stock prices would move to such high levels in a period of business prosperity, and for that reason I do not think there would be the same opportunity for short selling, since short selling can ordinarily only be profitable in stocks which have reached higher levels than the position of the company justifies.

Mr. COOPER of Ohio. Mr. Chairman, I yield 20 additional minutes to the gentleman from Michigan [Mr. MAPES].

Mr. MAPES. Mr. Chairman, I do not like to take the time of the Committee, but I do want to discuss some of the different provisions of this bill. As I said at the outset, I have no prepared speech to file.

Mr. SNELL. Would the gentleman care to yield for a question?

Mr. MAPES. I yield to the gentleman from New York.

Mr. SNELL. The proposition has been put up to me in regard to the obtaining of proxies that under the provisions of this bill it will be a very expensive proposition, and will cause a great deal of real trouble to legitimate business. I would like to have the gentleman explain what the conditions are that are different under the law which is being presented and the present law?

Mr. MAPES. The original bill contained some very definite and some very stringent requirements about the solicitation of proxies, which the committee felt ought not to be incorporated into the law. They would have made it very expensive to solicit proxies in a great many cases. The language now in the bill as reported by the committee simply authorizes the Federal Trade Commission to formulate rules and regulations for the solicitation of proxies which it thinks may be necessary in order to protect investors and the public. It clothes the Federal Trade Commission with very broad discretionary powers, in this respect, but does not bind the Commission to any specific form of control.

Mr. SNELL. Has the gentleman any idea as to what changes the Federal Trade Commission might require along that line which so disturbs business at the present time?

Mr. MAPES. I do not know that I can answer that. My own idea would be that the management of business, in a notice soliciting proxies, for instance, when it says, "We want all the acts of the board of directors for the last 12 months approved", should be required to point out what the matters of importance are that need to be approved. But that is all a matter for subsequent study and determination by the Federal Trade Commission.

Mr. SNELL. Of course, there is nothing in the present bill that prohibits the Commission putting in effect the same provisions that were in the original bill and which the committee struck out, is there?

Mr. MAPES. Oh, if we assume the Commission is going to be unreasonable, I presume that is true.

Mr. SNELL. But, as I understand, the original bill came from that source. I am not talking about the bill which is presented here, but the original bill, I understood, came from someone who represented to a certain extent, perhaps, the Federal Trade Commission, or I do not know who.

Mr. MAPES. I am not sure that that is a fair conclusion. I think the bill as originally presented before the House committee was like a great many other pieces of legislation; probably hastily drafted and presented as a skeleton measure on which to start hearings. I doubt whether it was the final judgment of anybody or any particular group.

Mr. SNELL. But there is nothing that would prohibit putting into effect all the regulations that were in the original bill, if they wanted to?

Mr. RAYBURN. If my colleague will yield—

Mr. MAPES. I yield to the gentleman from Texas.

Mr. RAYBURN. I think in their interpretation of it and in the court's interpretation of their power, they would certainly take into consideration the proposition that the committee considered those very sections and struck them out and wrote other sections in their stead.

Mr. SNELL. It seems to me that is an improvement. The principal objection that has come to me from business in regard to this bill is the fact that it is leaving to the Federal Trade Commission the question I have just raised in regard to proxies; then the further question about additional reports that might be required when they are already making reports to the public-service commissions in the individual States, but, as I understand, that question has been practically eliminated as far as this bill is concerned.

Mr. MAPES. I intended to call attention to statements of the Moody Investment Service and of the Standard Statistics Service approving these accounting provisions or expressing the hope that they would not be weakened when they required more detailed reports than they do as reported by the committee; but I will pass over them, and I will go directly to the question which the gentleman from New York has raised.

The gentleman has spoken about the provision clothing the Federal Trade Commission with authority to administer the act. I think that on the basis of proposing something different or new, the suggestion that a separate commission should be created to administer the act has something to be said in its favor, but I can see no other merit in it, and I can see several reasons why this legislation ought to be administered by the Federal Trade Commission. The Federal Trade Commission has charge of the Securities Act. It has an organization now which is designed to see that fair business practices are maintained by business, and it would be mere duplication of service in many respects to put the administration of this law into the hands of another body. I do not know whether my view in this respect corresponds with the view of anybody else or not, but, personally, I do not think it will take a very big organization to administer this act as reported by the committee. I think it would be building up just another commission which would take on additional authority, perhaps, as time went on, but that it would be entirely unnecessary.

Furthermore, there is one provision in this bill which I think makes it very desirable to clothe the Federal Trade Commission with authority to administer it. The bill provides that that Commission shall be divided up into divisions. To one division will be assigned the duty of administering this act. Then the bill provides that anybody who feels aggrieved at any order of the Commission made under this act, or of any division of the Commission, can appeal to the full Commission. That appeal will be passed upon not by the two or three men who are principally concerned with the administration of this particular act but by the other members of the Commission as well. They may have a clearer, a more general, and saner view because of their other work. I think that is a consideration of no small importance in determining whether this bill shall be administered by the Federal Trade Commission or by a separate commission. I think it is fair to say, too, that those who first proposed this new commission idea were opposed to this legislation and wanted to weaken it in every way they could. For one I do not like that attitude. I am not in favor of taking any teeth out of this bill in that respect by the formation of a new commission.

There is one provision in this section, however, to which I am very much opposed, and that is the paragraph which takes out of the Civil Service the lawyers, examiners, and other special experts required to administer the act. I made a motion in the committee to strike out that paragraph. I think it is an unfortunate provision. In my judgment it labels this constructive piece of legislation in a way which

it ought not to be labeled. I should like to see this provision stricken from the bill, and shall make a motion to that effect. What was the other point the gentleman mentioned?

Mr. SNELL. The other matter was the question of making reports in addition to those required by the public-service commissions of the various States.

Mr. MAPES. I know the gentleman's point. The reason for including that provision was to enable the Commission in its discretion to call for more informative reports. It must be kept in mind at all times that the purpose of this legislation is the protection of the investors and the general public. In order to carry out this purpose, it was thought that the Commission ought to have the power, in those States where public utilities are not required to file intelligent, informative reports, to ask for additional information for the benefit of the public and the investor.

Mr. SNELL. Is it the gentleman's opinion that in States such as New York and others where the utilities do file comparatively full reports that such reports will probably answer all the requirements of the Commission under this bill?

Mr. MAPES. I have no doubt about it.

Mr. TABER. Mr. Chairman, will the gentleman yield?

Mr. MAPES. I yield.

Mr. TABER. Does the gentleman realize that it costs small corporations almost more money to get out the reports now required of them than it costs to conduct all their other operations?

Mr. MAPES. I hardly think so.

Mr. TABER. I can cite the gentleman to instances where the small corporations are doing just that very thing.

Mr. MAPES. What does the gentleman mean by small corporations?

Mr. TABER. I mean small utilities, such as little water and light companies in small towns.

Mr. MAPES. It is barely possible that some concern may be a little inconvenienced in complying with this law, may be required to report something that it is not now required to report. If, however, it is in the interests of investors and the public generally for it to do so, I think it ought to be willing to go to that additional inconvenience for the general public good. The very act of listing a security upon a national securities exchange invites the public to invest in the securities listed; and when the management of a corporation invites the public to invest in the company's securities it ought to give enough information to that public to enable it to invest intelligently and not oblige it to invest blindly.

I wanted to discuss the margin provisions of the bill but I am not going to have time.

Mr. ROBERTSON. Mr. Chairman, will the gentleman yield for a brief question?

Mr. MAPES. For a very brief question; yes.

Mr. ROBERTSON. On page 7 of the committee report is reference to all loans from brokers and to securities and loans from banks. There is an impression on the part of some, which I think is erroneous, that all loans from banks on listed securities are limited to 55 percent of the value of the securities.

Mr. MAPES. This marginal provision has nothing at all to do with any transaction except loans to or by brokers, dealers, and members of the exchanges, unless the borrower wants to borrow on listed equity securities—which means stock—for the purpose of investing the proceeds in more listed securities. A person can go to the bank and borrow as much money with or without collateral as the bank will loan him to use in his business, to buy stock in a local company, or to do anything except to buy listed securities; and it has no application in any case as long the borrower can put up bonds or exempted securities, so-called. The provision applies only when the person goes to his banker and seeks to borrow money on an equity security, a stock listed upon a national stock exchange, for the purpose of buying other stock listed upon an exchange. Does that answer the gentleman's inquiry?

Mr. ROBERTSON. Very satisfactorily.

Mr. MAPES. There has been a lot of misapprehension about this marginal provision. As a matter of fact, while

it suggests a standard of 55 percent to be advanced upon these equity securities, it allows the Federal Reserve Board in all cases to raise that standard if it thinks there is too much speculation going on, and to lower the standard if it thinks it is to the benefit of commerce and industry to do so. Furthermore, it can fix a marginal standard for banks different from that which is fixed for brokers; and it does not apply to loans by banks to an individual in any of the cases, such as I have pointed out.

Mr. FIESINGER. Mr. Chairman, will the gentleman yield?

Mr. MAPES. I yield.

Mr. FIESINGER. Does the bill give to the Federal Trade Commission power to require corporations to file uniform statements?

Mr. MAPES. The bill confers rather broad powers upon the Federal Trade Commission in that respect to enable the Commission to require corporations, if necessary, to make reports to their stockholders and the Commission that are intelligent and informative. Most corporations do that now, but there are a limited number of them that will not or do not tell their stockholders any more than they are obliged to do. That provision is aimed at the offending few. The managers of corporations are the servants and agents of the stockholders and certainly ought to report to their stockholders the condition of their companies.

Mr. THOM. Mr. Chairman, will the gentleman yield?

Mr. MAPES. I yield.

Mr. THOM. Some of us are wondering how the provisions of the bill would control the situation where a borrower makes a loan from a bank but does not divulge the real purpose for which the loan is made.

Mr. MAPES. If the bank exercises reasonable discretion and is not able to find out, it cannot be affected. I imagine, however, there are few people who can get money from a bank without telling the banker what he is going to use it for. I do not think there will be very much trouble along the line the gentleman suggests.

I should like to refer to some other provisions in the bill but time does not permit. I want to close as I began by saying that I am in favor of legislation to regulate the stock exchanges and that I am, therefore, supporting this bill.

As far as I am concerned, I can see no consistency in being in favor of legislation to control stock exchanges and at the same time oppose the only legislation that will effectively do it. One cannot blow hot and cold at the same time, and if he is really in favor of regulating stock exchanges it seems to me that he must support this legislation. [Applause.]

Mr. RAYBURN. Mr. Chairman, I yield 12 minutes to the gentleman from Kentucky [Mr. CHAPMAN].

Mr. CHAPMAN. Mr. Chairman, during the course of this debate we have heard some very able and illuminating arguments in favor of this bill from distinguished members of the Committee on both sides of the House. At this time I shall discuss only one phase of the subject, and that very briefly. I refer to the doubt and fear that exist in the minds of many honest business men and their employees as the result of the unfair campaign that has been waged by selfish interests to terrify them into opposition to this important measure.

It cannot be gainsaid that during the past 2 months a very powerful and bountifully financed lobby has directed a barrage of as vicious and insidious propaganda against this bill as has been witnessed within the memory of the oldest Members of the House. The object of such false propaganda has been to create fear in the hearts and distrust in the minds of business men throughout the land. All Members of the House have received numerous protests, and we of the committee have been deluged with telegrams and letters in opposition to this legislation.

I wish every citizen in the United States could have heard, or could read, the exposure of those methods in the magnificent speech delivered day before yesterday in opening this debate by the able, hard-working chairman of this committee, who, with lion-hearted courage, has stood like a

stone wall against as subtle influences and as powerful pressure as were ever resorted to in an attempt to influence any committee chairman, the distinguished gentleman from Texas [Mr. RAYBURN].

Most of the telegrams, obviously inspired by the New York Stock Exchange lobby, have come from people who are misinformed as to the provisions of the bill and have been deceived into believing that its enactment would be destructive to all corporations, whether their securities are listed or unlisted. That is wholly untrue. It would neither destroy nor injure any honest corporation anywhere. The principal attack has been directed at sections 11 and 12, those providing for listing requirements and reports for the protection of investors. Notwithstanding the general, false impression that has been created by the lobby, the only corporations that would be required to make the reports so strenuously opposed to are those whose securities are listed on a national stock exchange or are sold through over-the-counter brokers and dealers who set up a public market for both the purchase and sale of the securities in question.

This measure is intended to protect, not to destroy; to safeguard investors in listed securities instead of permitting a repetition of the tragic crash of 1929. We believe it will go far toward the restoration of confidence in both the exchanges and the securities listed on them.

When the original bill was presented, merely as a basis for hearings and preliminary consideration, there was rather wide-spread apprehension that its enactment would be injurious to industry, commerce, and the general financial structure of the country. No member of the committee wanted that. After weeks of exhaustive hearings, the present bill was evolved by an able subcommittee and the full committee. In formulating this bill there was eliminated, in my opinion, every provision that might have constituted a reasonable and just ground for fear on the part of any honest business interest, whether it be a stock exchange, corporation, bank, or broker.

In the consideration of this bill we see history repeating itself. When the Interstate Commerce Act was pending, the railroads saw in it the hobgoblin of destruction. Scarcely a railroad official could be found now who would wish to have the Commission abolished. When the Federal Reserve Act was before this body, some of you were members of the House and I think will bear witness that many great banking institutions believed the Federal Reserve Act would wreck and ruin them. Today scarcely an intelligent banker could be found who would advocate its repeal.

It is believed that the enactment of this bill into law will foster a higher degree of public confidence in the stock exchange and help preserve it as a necessary and legitimate market place for the sale of securities; will afford a larger measure of protection to honest corporate business; will make more secure the holdings of the average citizen and insure greater confidence and safety to the investor in securities.

The white light of publicity is the surest protection to the public against manipulation of the market, the unfair practices of designing men, and all the tricks of financial legerdemain which scheming minds can devise.

Why should investors not have the information required by this bill? We are not dealing with the small-town corporation, the managers and owners of which are neighbors, personal friends, and daily associates. We who have seen the informative report of Dr. Splawn to our committee, on the relation of holding companies to operating companies in power and gas affecting control, must be impressed with the necessity for the disclosure of such facts as this bill would require. In one case it is shown that the holding company is 11 companies removed from the operating company. We find one man who is a director in 240 utility companies. With such relations existing between the ownership and the management of modern corporate business, has not the investor the right to expect us to give him adequate legal protection?

In order for a corporation to list its securities on the New York Stock Exchange the rules of the exchange require it

to furnish all the information provided for in this bill except that concerning salaries and bonuses.

When we witness the spectacle of the president of the American Tobacco Co. receiving, in addition to a princely salary, a bonus of over a million dollars in 1 year, I am convinced that the investors in the stock of that company are entitled to have the benefit of that information. I go further than that. I believe that it is sound public policy that when tobacco growers, engaged in the hardest work known to farm life, spend an entire year in the production, harvesting, curing, and marketing of tobacco, for which they receive less than the cost of production, they also have a right to know that the head of a company that purchases and manufactures the product of their soil and their toil receives such a fabulous bonus in 1 year.

Wall Street and its minions are here full panoplied for battle. This committee speaks for the unorganized millions who have no lobby and whose voice is inarticulate. They have not sent us an avalanche of telegrams, but they expect and have the right to expect that we will do our duty. [Applause.]

Mr. RAYBURN. Mr. Chairman, I yield 20 minutes to the gentleman from Indiana [Mr. PETTENGILL].

Mr. PETTENGILL. Mr. Chairman, from September 1929 to June 1932 the market value of bonds listed on the New York Stock Exchange alone depreciated \$9,387,000,000. In this same period of time and on that one exchange, brokers' loans were liquidated to the extent of \$8,308,000,000. In the same period of time and on that one exchange only, of the twenty-and-odd exchanges in the country, the market value of listed stocks shrank \$74,034,000,000. This is a total destruction of values and liquidation in 34 months of \$91,729,000,000 on one exchange. What goes up must come down. What does not go up so high does not have to come down so hard.

This loss and liquidation to the investors of America averaged \$2,800,000,000 a month for 34 consecutive months. This liquidation and destruction of values to the American investors averaged \$100,000,000 a day for 3 long years. The American investors took a loss on account of that debacle of \$100,000,000 a day for 1,000 days on the listed stocks and bonds of one exchange, or more in 1 day than the difference between the President and the Congress recently on World War veterans' relief for an entire year. The loss was three times the national debt, and it started in the New York Stock Exchange because we did not have means to put a brake upon that south sea bubble that has gone down into infamous history as the Coolidge bull market.

These figures indicate the size of the problem, but not all that we are trying to accomplish in this legislation because this loss of \$92,000,000,000 was on the listed stocks and bonds of one exchange alone. It was exclusive of the stocks and bonds listed on other exchanges and all stocks and bonds that are unlisted everywhere in America. It is exclusive of the destruction of the value of commodities in this country, such as warehouse receipts on cotton, wheat, copper, and so forth, and on merchants' inventories.

It is exclusive of the destruction of the value of real estate in this country, and it is exclusive of the thousands of banks and building and loan associations with their millions of innocent depositors who went down to hopeless ruin because of that debacle which started in New York due to the fact that we did not have brakes to prevent speculation from going to the point where the bubble burst.

Mr. MOTT. Will the gentleman yield?

Mr. PETTENGILL. I yield to the gentleman from Oregon.

Mr. MOTT. The gentleman in his statement includes legitimate stocks as well as racketeer stocks, I presume?

Mr. PETTENGILL. Yes; all stocks.

Mr. MOTT. The gentleman does not mean to say that the reason for this rise and subsequent fall, which he terms as a destruction of security values, was by reason of the fact that we did not have sufficient regulatory laws so far as legitimate securities were concerned?

Mr. PETTENGILL. Yes; I do. I say that we did not have sufficient brakes to prevent inflation even in legitimate securities.

Mr. MOTT. Will the gentleman tell me what provision there is in the pending bill that would prevent the rise to probably unwarranted heights and the consequent fall in the value of legitimate stocks, such as the American Telephone & Telegraph Co., or any of those stocks? What provision is there in this bill that would stop just what happened in 1929 in regard to legitimate stocks?

Mr. PETTENGILL. I will be glad to answer the question. The answer is the power given to the Federal Reserve Board to raise margins as the bubble is being blown up, thus putting on the brakes, and to soften the margins as the market comes down, and thus tend to straighten out the tremendous peaks and valleys of the inflation curve in speculation.

Mr. MOTT. That is the particular provision which the gentleman thinks will stop that?

Mr. PETTENGILL. It should, if it is administered by a brave and courageous board. We have given them the power.

Mr. MOTT. I just wanted to get the gentleman's idea.

Mr. McFADDEN. Will the gentleman yield?

Mr. PETTENGILL. I yield to the gentleman from Pennsylvania.

Mr. McFADDEN. The gentleman is making an interesting statement in reference to lodging additional powers in the Federal Reserve Board. The gentleman knows that the Federal Reserve Board failed in a mistaken policy in regard to this situation in 1928 and 1929?

Mr. PETTENGILL. I know that is true.

Mr. McFADDEN. Is there some provision in the bill which will insure to the American people safety so far as the activities of the Federal Reserve Board are concerned?

Mr. PETTENGILL. I am sorry to say to the gentleman from Pennsylvania I cannot positively assure him about that. We have got to trust somebody to administer the tools we put in their hands, and the Federal Reserve Board has said that with this bill and with the Glass-Steagall Act of last June, they could have stopped or minimized this debacle.

Mr. McFADDEN. That is a question of policy of the Board.

Mr. PETTENGILL. It is a question of the use of the tools that are placed in their hands. Someone must always administer the laws of legislative bodies.

Mr. McFADDEN. If you have a board with a mistaken policy—

Mr. PETTENGILL. Or a cowardly board, of course, a tool does not do any good. I grant the gentleman that.

Mr. McFADDEN. And, of course, the gentleman realizes that during this particular period the Federal Reserve furnished over \$200,000,000,000 with which to keep that stock market in a ferment.

Mr. PETTENGILL. I do not have the figures in mind.

Mr. McFADDEN. Has the gentleman given consideration to the question of stopping the flow of Federal Reserve funds into this market?

Mr. PETTENGILL. Yes, we have; but that is not in the bill. It is in the Glass-Steagall bill of last June. I do not want to take the time to discuss that. If the gentleman wishes to discuss it in his own time, I hope he will do so.

Mr. McFADDEN. It is an important part of this question.

Mr. PETTENGILL. I am not wedded to every clause or paragraph or section of this bill. Amendments that I favored in the committee were lost and amendments that I opposed were adopted, but I am here to defend this bill as a whole. I think the time has come when this gigantic speculation must be declared to be a matter "invested with a public interest." Knowing that this has caused a collapse of values in this country like a row of dominoes or like a fire that starts in a gambling resort and sweeps over and wipes out an entire city, it is time to declare it as invested with a public interest, because we lost as a result of this debacle three times the cost of the World War. I hope in what I may say this afternoon I may reassure the legitimate, honest investors and business men of the Nation that this bill as a whole will help and not harm.

President Wilson once said, "I must cut deep, but I must cut carefully. I must cut out the things that are decayed and rotten, but I must leave every wholesome tissue absolutely untouched."

This was certainly the spirit of our committee in the consideration of this bill. There was not anything vindictive or vengeful about it. I never saw such painstaking and sincere effort to get the viewpoint of everybody who had anything to say that would be helpful. We tried to consider the legitimate interests of the 1,500 members of the New York Stock Exchange and the members of other stock exchanges of the Nation on the one side, and we certainly tried to consider the legitimate interests of the 10,000,000 individuals in America who own the securities of America, with a present face value of at least \$100,000,000,000.

We know that the exchanges perform a useful, and they have in times past performed harmful service to the American people. They have been acting in a dual capacity both as a Monte Carlo of gambling and as a legitimate market place for the purchase and sale of securities. The New York Stock Exchange is a sort of financial Dr. Jekyll and Mr. Hyde. We want to kill the "jackal" and save the "hide."

Now, my friend the gentleman from Illinois [Mr. BRITTEN] said the other day that "the real object of this bill is the Russianization of business and credit in this country." Mr. Chairman, I do not want to Russianize America. I want to save America from another debacle that might Russianize America.

Now, what are the true facts about this matter? I hope that the calm perspective of a quarter of a century may bring this matter into clearer perspective than the heated political atmosphere of the present time. I want to read from a report that was made in 1909 on listing requirements:

The exchange should adopt methods to compel the filing of frequent statements of the financial condition of the companies whose securities are listed, including balance sheets, income and expense accounts, and so forth, and should notify the public that these are open to examination under proper rules and regulations. The exchange should also require that there be filed with future applications for listing a statement of what the capital stock of the company has been issued for, showing how much has been issued for cash, how much for property, with a description of the property, and also showing what commissions and secret profits, if any, have been paid to the promoters or vendors. Furthermore, means should be adopted for holding those making these statements responsible for the truth thereof.

This bill comes within the framework, if not within almost the specific details, of a recommendation which was written long before the gentleman from Kansas, my able but misguided friend [Mr. McGUGIN], ever heard of Dr. Wirt, or my friend from Illinois [Mr. BRITTEN] ever heard of the "scarlet-fever boys."

Who wrote these words that I have been reading to you? Whose recommendation is this within whose framework, if not within whose very language the present bill is bounded and defined? It was written by a committee appointed by the Honorable Charles E. Hughes, Republican Governor of the State of New York 25 years ago.

I hope that my mention of Governor Hughes in this connection will not cause any of these timid souls who look under the bed before they go to sleep every night—I hope it will not bring the name of that great Chief Justice of the United States, rendering distinguished public service to the Nation at the present time, under suspicion that he is a secret agent of Moscow; but if that should be the case, it would not be the first time he has suffered from names of this sort, because during the insurance investigation which he conducted so ably in 1905, he was called names that the New York Times did not find "fit to print." At that time he was charged with "destroying business" and the most powerful figures in his party tried to lure him from the trail of rottenness he had discovered by offering him high political office, which he refused until the job was done.

And yet as a result of his investigation and the legislation which followed the confidence it was said he would destroy was so firmly established in the great life-insurance companies of the Nation that they went through the hurricane of the past 4 years almost unscathed. Hughes was the friend of legitimate business at the very time he was charged as being its enemy.

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Let us stop calling names and analyze this bill. I wish everyone would take the trouble to read the entire report of the Hughes committee of 1909. The very things that are contained in this bill were urged then, margins, pyramiding, pools, wash sales, matched orders, corners, subsidizing the press, men lending their names to corporate boards without knowing "the accuracy and good faith of the statements" of corporate affairs, and so forth.

It took this last final cataclysm to do what should have been done long ago.

I call your particular attention, as one of the most important matters now under consideration, to that part of the Hughes report dealing with the "effect of the money market on speculation."

The paragraph is as follows:

It has been urged that your committee consider the influence of the money market upon security speculation.

As a result of conditions to which the defects of our monetary and banking systems chiefly contribute, there is frequently a congestion of funds in New York City when the supply is in excess of business needs and the accumulated surplus from the entire country generally is thereby set free for use in the speculative market. Thus, there almost annually occurs an inordinately low rate for "call loans", at times less than 1 percent. During the prevalence of this abnormally low rate speculation is unduly incited and speculative loans are very largely expanded.

On the other hand, occasional extraordinary industrial activity, coupled with the annually recurring demands for money during the crop-moving season, causes money stringency and the calling of loans made to the stock market; an abnormally high interest rate results, attended by violent reaction in speculation and abrupt fall in prices. The pressure to retain funds in the speculative field at these excessively high interest rates tends to a curtailment of reasonable accommodations to commercial and manufacturing interests, frequently causing embarrassment and at times menacing a crisis.

The economic questions involved in these conditions are the subject of present consideration by the Federal authorities and the National Monetary Commission. They could not be adjusted or adequately controlled either through exchange regulations or State legislation.

In other words, gentlemen of the Committee, the Hughes committee in 1909, 25 years ago, recognized the need for some sort of a "planned economy" in the monetary field, to prevent the excessive flow of credit into the New York money market from being destructive to legitimate business throughout the country. They recognized a quarter of a century ago that this required Federal legislation, that it was beyond the power of a single State, beyond the power of the board of governors of a single exchange to control.

So this fatuous charge that this bill originated in Moscow or Georgetown utterly fails. It originated in the Hughes report in 1909, under a Republican Governor; the Pujo report in 1913, under a Democratic House; the investigation by a recent Senate committee started under a Republican administration and culminating in the Democratic platform of 1932.

These are the American sources, Republican and Democratic, for this bill. It is not the product of either the "brain trust" or a "brain storm."

The New York Stock Exchange, as has been stated, already require practically all the information required in this bill. But we are legislating for all the exchanges of the country—not one alone.

It has been developed in the progress of debate that the Moody Investment Service is for this bill; it has developed that Babson is for the bill; it has been developed that the Standard Statistics Service is for the bill. I will not repeat their statements. I refer to Mr. RAYBURN's speech of Monday, page 7913 of the RECORD. These services all make mistakes in forecasting the future, but certainly it cannot be contended that they are unfriendly to the investors of the Nation or that they want to "Russianize America." I wish everyone who has been disturbed about this bill could read their statements. They are high-grade houses depending upon the good will of their subscribers, and their statements ought to go far to reassure anxious investors and corporate officers.

Let me quote from one additional service, which has not thus far been mentioned. I refer to the report of March 3,

1934, published in San Francisco by the Silberling Research Corporation. It is as follows:

Those only should speculate who can afford to lose; and furthermore the losses of speculation should not be permitted to wreck the fortunes of millions of innocent bank depositors as well.

These points of criticism will be seen to be of relatively minor character. In the main we approve with enthusiasm and conviction the purpose of this legislation and regard most of the current abuse heaped upon it as poorly aimed, misleading, and in the end not likely to produce a severely adverse effect either on the market or upon general public sentiment.

We as a Nation do not have to repeat our mistakes forever for the benefit of promoters and exploiters. We see no reason why any concern, large or small, cannot fulfill the requirements for listing under this act if it is competently and honestly managed. The New York Stock Exchange has had many years in which to force its listed companies to tell the public a reasonably full story about their earnings and other essential things and it has notably failed in this attempt, as anyone wishing to secure such information about most of the eight-hundred-and-odd listed companies can easily determine. We see in more adequate publicity the doom of vicious pool practices which live on secrecy, the end of managements which are more interested in trading the stock market than producing useful goods and service.

And then it concludes:

If people want to operate their affairs in the dark, they have no claim upon the interest of the average investor.

As for the ability to borrow on collateral, is it not now abundantly clear that the difficulties in our banking system were due in an important measure to the very ease with which bank portfolios could be loaded up with advances on trashy securities?

We are convinced that with some unessential modification this legislation will conduce to the protection of the investor because it will provide insurance against pernicious secrecy and malpractice in corporate doings and will prevent unreasonably engineered market operations which defeat rational analysis and shatter confidence. We can see reasons for expecting, as a result of this great reform, a wider international demand for our good securities and a freer flow of capital than ever before into enterprises which have certified their willingness to play fair with the public.

Please note that last—

A freer flow of capital than ever before into enterprises which have certified their willingness to play fair with the public.

This gives us ground to hope that this legislation will in the end be the best thing for the markets themselves and honest business, and their thousands of employees, just as the Hughes investigation of the life-insurance companies proved to be an inestimable blessing to the companies themselves.

Mr. DUNN. Mr. Chairman, will the gentleman yield?

Mr. PETTENGILL. Yes.

Mr. DUNN. Can the gentleman tell me why it is that the gigantic corporations, such as the utilities and the steel corporations, are opposed to this bill?

Mr. PETTENGILL. There were many reasons, some of them good, such as the fear that trade secrets, formulas, and so forth, might be made public. But amendments have taken care of such objections, I believe. As for the rest, it is my guess that they have been carrying many items on their books or in their heads, such as campaign contributions to influence legislation and utility-commission decisions, which they do not want their investors or the public to see.

Mr. DUNN. I agree with the gentleman.

Mr. PETTENGILL. Mr. Chairman, I yield back the remainder of my time.

Mr. COOPER of Ohio. Mr. Chairman, I yield myself 10 minutes. I repeat what I said a few days ago, that I believe the measure now before us for consideration is the most important piece of legislation that has come before this Congress. Especially is this true from the standpoint of the public interest.

REGULATION OF STOCK EXCHANGES

I am very much in favor of the provisions of the bill relating to the regulation of stock exchanges. People who invest their money in securities are entitled to some protection; and if those who are charged with holding these securities do not protect them, then they have a right to come to this legislative body and ask for protection.

Legislation for the regulation of stock exchanges should have been passed long ago. We all know the unfair practices

and the crooked manipulations and excessive speculations that have gone on on some stock exchanges of our country in the past, and especially in the last few years. During the deliberations of the committee who had charge of this legislation I favored all the provisions of the measure which related to the regulation of stock exchanges, and I hope that this Congress will pass some legislation to that effect.

GOVERNMENT REGULATION OF INDUSTRY AND BUSINESS

However, as most of the members of the committee know, I was more interested in that part of the bill which went far beyond the regulation of the stock exchanges than I was in the regulation of the stock exchanges themselves. I cannot agree with my good friend the chairman of this committee, nor with my colleague the gentleman from Michigan (Mr. MAPES), when they stand on the floor of the House and try to leave the impression that the opposition to this measure which has been expressed by business and industry was all inspired by the New York Stock Exchange.

I have more confidence in that great organization of business men in the industrial district in which I live than to believe that the New York Stock Exchange has inspired their opposition to this measure. Again, I think they have a perfect right to oppose this measure. It has been intimated here in a way that they are all wrong when they come to Congress and protest against some of the provisions of this legislation. If they cannot protest to Congress, which is considering the measure, to whom will they go? I do not question the right of the industries and business men in my district and those scattered throughout the great State of Ohio to protest to a Member of Congress and tell him there are some provisions of the bill which they believe will be detrimental to their interests. I, like many other Members, have received numerous telegrams and letters from business houses and industrial corporations protesting against the passage of this bill. In not one of these protests that I have received is there any objection to the regulation of the stock exchanges. As a matter of fact, 99 percent of the protests that I have received from business men and corporations say they favor the regulation of the stock exchanges. I call attention now to a few of the hundreds of protests that I have received. This telegram I have in my hand comes from the Goodyear Tire & Rubber Co., the B. F. Goodrich Co., and the Firestone Rubber Co., of Akron, Ohio, the greatest rubber industrial center in the world. These three organizations employ upward of 50,000 men and women in their plant. Can anyone standing here on the floor say that any one of these organizations has ever tried to take advantage of its stockholders?

Can you say that they have brought forward certain practices in order to beat their stockholders out of the earnings of their securities? I believe these men are honest. They are charged with the investment of the people's money. As I said a few days ago, the big, heavy industries in our country today, like the rubber and the steel companies, have sweat blood during the last 3 years. In my own district, which is the second largest steel-producing section of the United States, during the years 1930 to 1933, every one of the companies lost millions of dollars in the operation of their plants, but they kept them open because they had invested money in those institutions, and they wanted to give as many workingmen employment in order that they might provide some sort of livelihood for their families. Do you classify them as crooked manipulators who are trying to rob American people who have invested their money in their securities.

I have here another telegram from several large corporations in Cleveland, protesting against that part of this bill which has no direct relation whatsoever to the regulation of the stock exchanges. They believe certain provisions of the bill will very materially affect their business and make it harder for them to bring about economic recovery.

Mr. BLANCHARD. Will the gentleman yield briefly?

Mr. COOPER of Ohio. I yield just for a short question.

Mr. BLANCHARD. It is that same type of manufacturing enterprise that I am concerned about in my own district. They raise some very serious objections to the provi-

sions of the bill which do not deal with the stock exchange. Have those provisions been modified in this bill as compared to the original bill?

Mr. COOPER of Ohio. Yes. I am coming to that in a moment.

Mr. CLAIBORNE. Will the gentleman yield?

Mr. COOPER of Ohio. I yield, briefly.

Mr. CLAIBORNE. Is the gentleman aware of the fact that Mr. Henry I. Harriman, speaking in the city of Washington a few hours ago to the Twenty-second Annual Meeting of the Chamber of Commerce, said to the gentlemen there assembled that business in America could not accept the stock exchange bill as first reported?

Mr. COOPER of Ohio. I thank the gentleman for his contribution.

Now, I will tell you what heavy industry needs today. I have talked to the men who have charge of those industries—those men who, as I said a moment ago, sweat blood during the last few years in trying to keep their plants in operation. What they need today is relaxation of credit. They have told me that if there could only be a little relaxation of credit and they could get the money, it would not be long before we should be well on the road to recovery, as far as heavy industry is concerned.

The CHAIRMAN. The time of the gentleman from Ohio [Mr. COOPER] has expired.

Mr. COOPER of Ohio. Mr. Chairman, I yield myself 10 additional minutes.

Mr. TRUAX. Will the gentleman yield for a question?

Mr. COOPER of Ohio. My colleague from Ohio has been so kind to me that I will yield for a short question; not for a speech, however.

Mr. TRUAX. I agree with the last statement made by the gentleman, but is it not true that that is what everybody, including the farmer and the small business man, needs today, namely, relaxation of credit? [Applause.]

Mr. COOPER of Ohio. I agree with the gentleman; yes, sir. Now, of course, we all want to see recovery from the terrible economic depression we have passed through. I have been informed that the one thing business and industry are afraid of, with regard to the passage of this bill, is that it will make it a great deal harder to get credit in the future. Of course, if they cannot get credit in a lawful way they should not have it.

I received a letter from the general counsel of the largest steel industry in my district, in which he said if it were not for the Securities Act of 1933, there would have been \$10,000,000 invested in this district during the last year.

I want to be fair and say that there has been some modification of this bill. When we first received the bill, it was much more objectionable than it is now. I am glad the committee saw fit to make some of the modifications. I personally should like to have the bill framed along the line of the commission report which the President selected. Early last year the President selected a committee known as the "Roper Committee." Secretary Roper, of the Department of Commerce, was at the head of that committee. He wanted them to proceed along the line of writing legislation for the regulation of the stock exchanges. They did. That is a public report, and you can get it. During the hearings on this bill, which we are considering, the Assistant Secretary of Commerce, Mr. Dickinson, appeared before our committee.

I say to you that in all my experience in Congress I have never heard a more brilliant man or a more sound man, a clearer thinker or speaker than Mr. Dickinson. He made some very strong objections to the legislation which we then had before us. We asked him why the President's report was not accepted and written into legislation. I forget what his answer was, but the truth of the matter is that the President's committee report was set to one side. Mr. Landis, of the Federal Trade Commission, Mr. Tom Corcoran and Mr. Ben Cohen wrote the legislation which was presented to our committee in the first instance. There is no question about that, because Mr. Landis made that statement before our committee himself. I say the bill

has been modified to a great extent, and it is not as objectionable as it was when it was first presented to our committee. Therefore I do not want it understood here today that I am directly opposing the passage of this legislation. As I stated a moment ago, I believe we ought to have legislation for the regulation of the stock exchanges, and we should have had it long ago, but I want to call attention to the fact that sections 11, 12, 13, 14, 15, 17, 19, 23, 28, and 32 of this bill have no direct relation to the regulation of stock exchanges. Section 13 deals with proxies.

PROXIES

Strong objections have been made by business and industries from all parts of the country against this section. They maintain it has no place in stock-exchange regulation.

If it is desirable that the solicitation of proxies should be governed by rules and regulations of the Federal Trade Commission for listed securities, a similar rule or regulation will be adopted by the Commission with regard to unlisted securities under the authority of section 14, and section 14 gives to the Federal Trade Commission the power to set up rules and regulations in regard to unlisted securities that are not on one of our national stock exchanges.

Again, section 13 means that any person soliciting a proxy—I want the House to pay attention to this, and I am only bringing it up so that you may know what is in the bill—section 13 provides that any person soliciting a proxy, listed or unlisted on the exchange, is subject to the rules and regulations of the Federal Trade Commission, and that to solicit a proxy in violation of any rule or regulation the Commission may prescribe is made a criminal offense, punishable by fine and imprisonment. The Federal Trade Commission, under this bill, has the power to set up any rule or regulation that it desires regarding the solicitation of proxies.

The solicitation of a proxy in violation of any rule or regulation the Commission may prescribe is made, not a misdemeanor but a criminal offense, punishable by fine and imprisonment. This section gives to the Federal Trade Commission the power by rule and regulation to create criminal offenses in connection with the matter of soliciting proxies, and shows the extent to which the bill goes in an endeavor to control the conduct of individuals in the moral and everyday business activities of life.

OVER-THE-COUNTER MARKETS

Section 14 deals with over-the-counter markets. I wonder if we realize the extent of the grant of power given to the Federal Trade Commission in this section. Over-the-counter markets are defined in this section, which relates to the buying and selling of securities of any corporation which securities are not listed on any national stock exchange. This section gives the Commission the broad power to make rules and regulations governing entirely intrastate transactions—not interstate, but intrastate transactions. The violation of such rules and regulations is declared to be unlawful and is made punishable by fine and imprisonment. Such business today is not only governed by provisions of law but there already exists in almost every State "blue sky" laws for the protection of investors, laws designed to eliminate abuses. The Federal Securities Act of 1933 also covers transactions of this sort. Section 14, should it become law, will make every corporation whose securities are bought and sold, even though locally, subject to the rules and regulations of the Federal Trade Commission.

CONTRACTS

Section 28 (b) makes void every contract made in violation of any provision of the act, or any rule or regulation thereunder, and every contract the performance of which involves the continuance of any relationship or practice prohibited by the act.

The far-reaching consequence of this subsection is little comprehended. This provision, coupled with the use throughout the act of the words "it shall be unlawful", opens the door to a vast amount of litigation which may involve many of the daily commercial and banking transactions of our country. If, perchance, through the error of a clerk, or

even of a partner, a miscalculation has been made as to the amount that could be legally loaned or borrowed, it could not be corrected, for if a transaction be void, neither party can seek redress in a court of law. The infinite number of questions which arise from an examination of this section makes it clear that it should be carefully considered by the House.

SECTION 32. CRIMINAL PENALTIES

I now come to the penalty section, and with this I close. This section makes no distinction between acts which are intended to be criminal, such as the manipulative practices set out in section 8, and the violation of ever-changing rules and regulations of the Commission. I believe the criminal penalties should be confined to the specific things which are intended to be made criminal.

I wonder if we want to write into this bill, however, a provision which provides a fine and imprisonment for the violation of a rule or regulation having no direct connection with the regulation of the stock exchange. Should we go so far as to subject any person, business man, banker, official of industry, or employee to the hazard of criminal prosecution for the possible violation of a rule or regulation of the Commission? This provision gave very much concern to the committee having the bill in charge and under consideration. It will be said that the criminal provisions are confined to a willful violation of the rules and regulations of the Commission. Ah, my friends, the proof of whether the violation was willful or not will have to be made in court. We should remember, however, that it is the indictment of the individual which is likely to destroy his standing and reputation in the community in which he lives, not whether he may be found guilty; and he could be indicted for violating a rule or regulation. The proof of his innocence by showing that the violation was accidental and not willful is not news. Papers would not have much to say about that; it would not be given the same publicity as his indictment was. The mere indictment of a prominent citizen is a sad thing to him no matter in what community he may live.

Mr. Chairman, in a brief time I have tried to set forth my views on some parts of this legislation. As I said, I believe we ought to have regulation of the stock exchange, but I trust we can modify the bill to some extent, at least so that business and industry which are fighting for their life today would feel more confident that they are going to be able to carry forward in a legitimate and lawful way. If they are permitted to work out their own business without too much governmental regulation, they will succeed and at the same time be of great benefit to the country at large. [Applause.]

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. COOPER of Ohio. I yield.

Mr. MOTT. I wish to ask the gentleman a rather pertinent question. During the course of his remarks the gentleman named several men with whose names I am not acquainted. If I remember correctly, the gentleman stated they were the people who drafted this legislation.

Mr. COOPER of Ohio. They drafted the first bill; yes.

Mr. MOTT. I want to ask the gentleman as a member of the committee if he knows whether any of these people who drafted any of this legislation have ever had any personal and practical experience in the regulation of the sale of securities; whether any of them has ever held office as securities commissioner or has otherwise been connected with the regulation of securities?

Mr. COOPER of Ohio. I believe one of the three gentlemen who was responsible for the drafting of this bill did make the statement before our committee that at one time he worked for some broker on the New York Stock Exchange.

Mr. MOTT. That is not the regulation of securities. I think I know at least by reputation, if not personally, almost every securities commissioner of the country, although their names may be unfamiliar to me. I used to be securities commissioner in my own State.

Mr. CLAIBORNE. Mr. Chairman, will the gentleman yield?

Mr. COOPER of Ohio. I yield.

Mr. CLAIBORNE. The gentleman in discussing the last section of the bill having to do with penal provisions said that one might be held accountable where one was guilty of willful misconduct. Does willful misconduct apply to the individual alone, or does the bill seek to hold a man responsible for the misconduct of his agent? The first bill was so construed. Is a similar construction applied to the pending bill?

Mr. COOPER of Ohio. The penalty applies to the person or persons who made the report or violated a rule or regulation of the Commission. There is no question that this bill delegates to the Federal Trade Commission the power to legislate and fix penalties which provide for fine and prison sentence.

Mr. Chairman, I surrender the floor. [Applause.]

Mr. COOPER of Ohio. Mr. Chairman, I yield 10 minutes to the gentleman from Maine [Mr. BEEDEY].

Mr. BEEDEY. Mr. Chairman, as the Members of the House know, I am not a member of the committee having this bill in charge. I have not had the opportunity of becoming as familiar with its provisions as have those gentlemen who are members of the committee. I have followed the course of this legislation as best I could, in view of responsibilities which rested upon me as a member of other committees, and I have listened very carefully since the debate upon this bill began.

I confess that the effect of this legislation is so far-reaching and the provisions of the bill itself are so technical that I have been put to great concern as to just what my attitude of mind should be toward it. This one statement contained in the report which I read again last night is enough to impress the average Member of this House, namely, that practically one half the national wealth is represented by stock of corporations and by corporate and Government bonds. All this property represented by such securities is unquestionably directly affected by this legislation.

As I consider one piece of legislation after another, I am impressed in recent days with the general trend in the nature of it all. The general trend of legislation of late embodies an attempt to make men honest under compulsion of law. We have had in recent years some experience with a law which was designed to make men and women live in accordance with a standard of thought sought to be set up under prohibitive restrictions. We saw that we could not effect our purpose by such a law.

I voted for the National Recovery Act. I knew that in theory the act was sound. I knew that the industrial fabric of the Nation had been pretty nearly wrecked by men who with splendid opportunities had gone so far in an attempt to satisfy their selfish aims that they lost sight of their obligations to the general public. Here is an act which says we must put American business in a strait-jacket. Under compulsion of law we must set up a standard of business ethics and hold the iron hand of Government over it. I do not know whether such a policy will succeed or not.

This so-called "securities exchange control bill" recognizes existing abuses, which no doubt ought to be corrected. The theory of it is that we should put these exchanges in a strait-jacket. We should hold over them the iron hand of compulsion by Government, and we should drive them to a course of honesty.

As I read my history, I am impressed with the thought that it is almost impossible for one generation to pass the lessons of its experience to the next. We seem in each era to have to learn our lessons for ourselves. I have about concluded that, while it is no doubt your duty and my duty to set up in the laws which we pass the highest standard of conduct, we are doomed to be very much disappointed in the final results. You cannot make men honest by law. You cannot clean up business under legal compulsion. The wits of man will thwart every attempt you make, and the

remedy will never come until there is in this country a different attitude on the part of men who by reason of their splendid ability have come into positions of power and opportunity to make wealth for themselves, but who fail to use their opportunities to build for the future in a way which will serve the social and governmental structure of the Nation. When the day comes that enough men in places of power, profiting by the lessons of history, will see that nothing is to be gained by thinking only of oneself and in setting up vast corporate structures to be used for profit to those who designed and conceived them but not to pass on any benefits to the many, then a long-suffering people will begin to come into that fuller and richer life which is deservedly the aim of every government and every parliamentary body to attain.

I wonder how many of us really sense in these days the tremendous responsibility that is ours. I know I have sometimes lost the right point of view. All of us become more or less discouraged at times. The average man here tries to see the right; he tries to lay aside party lines; he wants to do something that will help the Nation, but he goes on from year to year with no personal gain to himself except that he may have learned to stand up and take a mud bath upon all occasions and with good grace. He sometimes thinks that his place in this Government of his is not of much importance after all; but, Mr. Chairman, each one of us holds a certain measure of responsibility here which is going to mold the future business and social life of this Nation. I see many things in this bill which I do not like, but I cannot bring myself to believe that I shall have done my full duty here unless I give it my vote. [Applause.]

Unfortunately I cannot be here in the House if the final vote on this bill is to come before the first of the week. I have committed myself in weeks gone by to be elsewhere. I have arranged a pair, but I want the opportunity to vote upon some amendments. There has been, as has been stated, a great deal of misunderstanding about this legislation and the effect it will have.

In no event could I have voted for the bill as it was originally introduced. Very many important amendments to the original bill have been made, the aim of which was and is to guard against abuses and at the same time do no injury to legitimate business. But the bill, even in its improved state, can be further improved.

I do not think this Congress can justify the legislative provisions contained in lines 18 to 23 on page 34, which confer broad and unknown discretionary powers upon the Federal Trade Commission. The bill, after laying down the strictest requirements which must be complied with by those who would list their securities on the exchange—and these requirements quite properly aim to make public legitimate information concerning the financial structure, the nature of the business involved, together with various facts which directly affect the value of the securities listed—imposes upon the vast business interests concerned the obligation of complying with such additional requirements as to such reports as are deemed necessary for the protection of investors in the pure discretion of the Federal Trade Commission.

And, mark you, any corporation which might knowingly or otherwise violate any changed rules or regulations adopted under the changing personnel of the Federal Trade Commission is subject to criminal prosecution.

It seems to me, if there are evils to be reached, definite provision for reaching them should be made. Any attempt to forecast the future by blanket authority conferred upon any bureau to make rules and regulations having the force of criminal law is utterly unwarranted, in my judgment. Such a policy of lawmaking cannot encourage business confidence, and without business confidence we cannot make any recovery progress.

On page 35 similar discretionary power is given to the Federal Trade Commission to determine the use of and the authorization of the use of proxies. Again I repeat, if there are definite evils in the use of proxies which are to be reached, the bill should set forth definite remedial rules in

order that business interests may know just what they are to comply with.

This year the Federal Trade Commission might decide that one practice is correct, but next year their point of view might change, and changed regulations vitally affecting all interests concerned would seriously disturb business stabilization. It would seem to me that while many of the provisions of this bill are wise, and while unquestionably the purpose of the committee reporting it is a laudable one, the committee should be content to report a bill which states definitely the evils to be dealt with and lays down specific regulations and rules in accordance therewith. If they are uncertain at this time as to what the evils are, the light of subsequent experience should guide us in our legislative course. The reposing of broad discretionary powers, such as those to which I have referred, is unwise and unjustifiable.

Quite clearly, it is thus proposed to deal with possible evils arising in the future by advance authority in the Federal Trade Commission to assure new rules and regulations. Such a course is not consistent with wise legislation and is, I submit, most unfair to business.

I repeat that I shall gladly vote for amendments to correct the faulty provisions of the bill to which I have called attention.

Let us not attempt to take too many steps at this time. I hope the Congress will be content to deal unqualifiedly with the present known situation without attempting in a veiled way to remedy all possible abuses which may by chance arise in the listing and sale of securities by any blanket grant of discretionary powers in the Federal Trade Commission.

Because the bill has been vastly improved by the committee having it in charge, and because I believe that as a whole its salutary provisions far outweigh its deficiencies, I shall vote for it. I shall hope for further improvements in the bill during its course in the House, and I have the confidence to believe that when the bill is finally reported by the conferees of the Senate and the House a real forward step in the correction of existing abuses will have been made in the listing and sale of securities. [Applause.]

[Here the gavel fell.]

Mr. PETTENGILL. Mr. Chairman, I yield 15 minutes to the gentleman from Montana [Mr. MONAGHAN].

Mr. MONAGHAN of Montana. Mr. Chairman, at the outset of my remarks I should like to correct a mistaken impression that may have been left with the Members of the House at the conclusion of the very able address of the gentleman from Ohio [Mr. COOPER]. I would like to answer that, however, when Mr. COOPER is in the Chamber; and as I see he is not present at the moment, I shall continue my remarks until he returns.

As our chairman, as well as other members of the committee, have so well said, this bill has been the subject of the most vicious campaign of malicious propaganda ever waged against a single piece of legislation coming before the Congress. Realizing the faith which the people of the United States have in the President of the United States and his new deal, selfishly inspired opponents of this legislation have even sought to discredit the President and have flooded the channels of public education with the cry, "The new deal is leading to communism." Well, I say that if the new deal is leading to communism, then all America needs is a little more communism. [Applause.]

The thought that occurs to me in connection with the stock-exchange control bill is the fact that while these people are howling the allegation that this bill provides for the regimentation of industry they forget the thousands of people who lost their life savings and who were fleeced of their life's earnings in the stock-market crash of 1929, who demand Federal regulation of this sort to prevent a recurrence of a tragedy of that kind, and the hundreds who went the suicide route bear silent testimony to the urgent need of this legislation.

The fictitious wealth created in the stock market is in constant danger of collapse, yet those who loudly clamor

against the remonetization of silver as being inflationary illogically lament that this bill might be deflationary. It is not; rather, it is designed to prevent the creation of fictitious values. It is designed to prevent giving a man a scrap of paper in exchange for his life's fortune and then permitting that man to find the grave his only consolation at the end of his days, as occurred in 1929, while those who cause the tragedy are permitted to escape unscathed and unharmed.

As long as the captains of industry and the giants of finance, so called, realized the helplessness of their plight, they permitted Franklin D. Roosevelt and the new dealers to lead without vicious attack, but now that America is arriving they want to misrepresent his whole program, to cast discredit and distrust upon him and his advisers, and to discredit this very worth-while legislation and even reduce him in the public eye to the ignominious role of playing the part of a puppet. They forget the condition of our country the day Franklin D. Roosevelt took the oath of office, when the banks of our country were literally crashed, when finance was frozen, when business was tottering and trembling, and when millions of hungry, weary workers tramped the streets, seeking not a job—a job could not be had—but sustenance for themselves and their families.

It is safe to say that no President, not even Lincoln, took the oath of office under more trying or under more difficult circumstances. [Applause.] It took the genius of Lincoln and the bloodshed of the Civil War to accomplish the abolition of negro slavery and save the Nation, but without bloodshed, be it to his eternal credit, the present President of the United States has largely abolished the economic slavery that existed up to the time of his assumption of the duties of his office, thereby becoming the second savior of our Republic. [Applause.]

I say to you that this very worth-while bill for the regulation of the stock market is necessary in the interest of the laboring people of America. Realizing the fact that under the guidance of the great and distinguished leader of America today we have at least temporarily suspended that abominable, cancerous growth upon the body politic, economic and social—child labor—and replaced the vicious "yellow dog" contract with the proud American laborer's right to collective bargaining with his employer, let us not stop in our steady march of advancement for the protection of the common people of America.

This bill provides a necessary step. This bill provides not for the regimentation of industry, but, as I have before said, it provides for the protection of the people of America rather than the privileged few. [Applause.]

The Nation has been recently alarmed by the threat of communism and revolution contained in the now famous Dr. Wirt letter. It is high time the people of this Nation know the reason for the introduction of this letter, after which the matter contained in it dwindles into insignificance.

Before the Interstate and Foreign Commerce Committee, urging that section 12 be eliminated, Mr. Rand declared that it appeared that this broad power to call for any information that the regulatory commission thought was necessary would make it possible for the regulatory authority to harass American business by calling for unreasonable reports.

That was the answer given in response to my question as to why section 12 should be eliminated from the bill. What possible bearing can the reading of the Dr. Wirt letter have on the elimination of section 12, which merely provides for giving information relative to the regulation of the stock exchange to a public commission? I brand that letter now, as I did before our committee, as treasonous and irrelevant and as a red herring dragged across the trail of this worth-while bill for the regulation of the stock exchange; to reflect discredit on the authors of the bill and the so-called "brain trust" and the President of the United States; and to discourage the Members of Congress from necessary regulation and control of the stock market and of industry on the ground that such legislation smacks of communism.

Yes; there is a plot to overthrow the old-established order. There is a move—it received its start March 4, 1933, when Franklin D. Roosevelt took the oath of office—a move to

change the Government from Wall Street, where it formerly was, to where it is at the present moment, and will remain as long as Franklin D. Roosevelt is President of the United States [applause]; not to the little green house on K Street nor to the little red house in Georgetown, but to the White House on Pennsylvania Avenue. [Applause.]

Were it not for the quiet and peaceful revolution that occurred November 8, 1932, then I dread to think of the calamitous revolution which might have ensued, ending in what Dr. Wirt calls "communism." A psychology of despair and of revolution cast its gloom over the entire Nation; a spirit of discouragement and depression which, had it continued, might have resulted in the overthrow of the Government itself in bloody and riotous revolution. Were it not for the drastic measures thus far enacted by the new deal and the "new dealers", then the ravings of Dr. Wirt might have been history of the past instead of a vain prophecy of the future.

No; the progressive policies of the new deal are not dangerous. Rather, real danger lies lurking in the insidious propaganda designed to undermine the whole new deal.

A noted writer once said, "If you wish to discredit a worth-while program, say it is 'socialistic'." If championing the farmer rather than only the bankers, if protecting the forgotten man, rather than only the railroads and insurance companies, if protecting the security of innocent investors in the stock market, if spending large sums of money on worthy public projects to relieve distressed citizens—if all these things constitute communism, then the new deal is communistic and we are proud of it. [Applause.]

Is it un-American to have set up an organization throughout the country to save American homes and farms? Is it un-American to have set in motion machinery for reemployment of millions who were yesterday on the bread lines? Is it destructive of confidence and destructive of American ideals to promote the proud American laborer's right to collective bargaining with the employer? Would America change the new deal of today for the drifting into chaos and ruin of yesterday? The answer of real red-blooded Americans is an emphatic chorus of "noes." The social control of the new deal, as evidenced by a bill such as the stock-exchange control bill, prevented a catastrophe of national scope against which the rugged individualism of previous days could not avail.

Those who desire to discredit this bill further say that we are going into the private life of every individual. They shout dictatorship in connection with Mr. Roosevelt. That to me seems almost sacrilegious. No race need fear persecution from that great lover of all mankind, Franklin D. Roosevelt. No religion need fear persecution from him. The press is not muzzled, and no one, great or small, need fear exile for criticizing him or his policies, as is evidenced by the deluge of propaganda which was set in motion against this very worth-while bill. Time enough to shout distatorship and communism when any of those things occur, but the protection of the weak and the lowly and the promotion of the general welfare as is designed by the stock-exchange bill is not communism, it is Americanism, sound Americanism, and I base that upon the authority of echoes from the past. [Applause.]

"Labor in this country is independent and proud; it has not to ask the patronage of capital." Did that statement make a Communist of Daniel Webster? Was Lincoln a Communist when he said, "Labor is superior to capital, and deserves much higher consideration"? If this bill be revolutionary, let us consider what Jefferson said. He said, "A little rebellion now and then is a good thing. It is a medicine necessary for the sound health of government." Thank God, we have a man in the White House today who is able to lead the way to these changes quietly while the Nation follows the steady march of advancing improvement with wondering amazement.

The CHAIRMAN. The time of the gentleman from Montana has expired.

Mr. PETTENGILL. Mr. Chairman, I yield the gentleman 5 minutes more.

Mr. MONAGHAN of Montana. A dictator? No. A leader? Yes. We have a real leader in the White House. The progressive policies advocated by the "new dealers" do not constitute communism. They constitute the American spirit of liberty and independence, without which alone we need fear America's safety and security.

At this point I want to answer objection that has been raised to this bill by the gentleman from Ohio [Mr. COOPER] and to correct a mistaken impression that I know he did not intend to convey, that this bill covers listed and unlisted securities. If he will look on page 35, section 13, line 12, he will find the words "registered on any national-securities exchange."

Mr. COOPER of Ohio. Mr. Chairman, will the gentleman yield?

Mr. MONAGHAN of Montana. And I wish to make a further observation. He stated that this covered intrastate commerce. It does not cover intrastate commerce; and if you will refer to page 36, section 14, you will find that it covers anyone who makes use of the mail or any instrumentality of interstate commerce.

Mr. COOPER of Ohio. Mr. Chairman, will the gentleman yield?

Mr. MONAGHAN of Montana. After I have finished I shall yield.

It further provides only that only those who violate any rule or regulation made by the commission under the provisions of this act shall be liable to a criminal charge.

We find that the new deal has not been foolproof, and this bill cannot be foolproof. No one short of that lowly Nazarene who came to show us the way, the truth, and the life, and upon whose teachings President Roosevelt has rested so firmly in his desire to establish proper principles of the new deal—no one, I say, short of Him can claim entire freedom from mistake in human activity, but, based on the principles of that greatest leader and teacher of all times as an exemplar, President Roosevelt is trying to follow Him, in suggesting certain provisions of this bill, when He drove the money changers from the temple. Based on those principles, I say, the new deal and this bill are bound to succeed, and the American people will survive, following the leadership of the man who occupies the White House. [Applause.]

Mr. COOPER of Ohio. Mr. Chairman, will the gentleman yield?

Mr. MONAGHAN of Montana. He has asked for a stock market bill with teeth in it. The people of America, the humble business man, the broker who is honest, desires to follow the leadership, not of the wolves and bears of Wall Street, but rather the benevolent leadership of President Roosevelt, who is trying, against overwhelming odds, to bring order out of disorder and put America back on its feet. I hope, therefore, that the Members of Congress will follow the leadership of the President of the United States who desires only the protection, security, and safety of the people of America. [Applause.]

Mr. COOPER of Ohio. Will the gentleman yield?

Mr. MONAGHAN of Montana. I yield.

Mr. COOPER of Ohio. Does the gentleman deny that there is a provision in this bill which gives to the Federal Trade Commission the power to set up rules and regulations for the sale of unlisted securities in the over-the-counter market?

Mr. MONAGHAN of Montana. I do not deny that.

Mr. COOPER of Ohio. That is what I talked about.

Mr. MONAGHAN of Montana. But I believe the gentleman unintentionally made an overstatement when he said that any regulation which the Commission laid down would be the subject of penitentiary or criminal offense.

Mr. COOPER of Ohio. Will the gentleman yield once further?

Mr. MONAGHAN of Montana. I yield.

Mr. COOPER of Ohio. I like the gentleman from Montana very much. He and I are members of the same committee, but I regret he is the first member of the committee who has injected partisan politics into this debate today. [Applause.]

Mr. HOEPEL. Will the gentleman yield?

Mr. MONAGHAN of Montana. I yield.

Mr. HOEPEL. Recognizing that this is probably the last piece of major legislation which will reach the House this session, is the gentleman prepared to state that we have gone far enough in the new deal to solve the economic problems?

Mr. MONAGHAN of Montana. No. I do not believe we have gone far enough yet. We need and we must have a universal 30-hour week. We need and we must have the remonetization of silver, an adequate national old-age pension, and unemployment insurance.

The CHAIRMAN. The time of the gentleman from Montana [Mr. MONAGHAN] has expired.

Mr. PETTENGILL. Mr. Chairman, I yield 10 minutes to the able, distinguished, and good-looking gentleman from New Jersey [Mr. KENNEY]. [Applause.]

Mr. KENNEY. Mr. Chairman, I appreciate the kind remarks of the gentleman from Indiana [Mr. PETTENGILL], and I wish now to pay compliment to the able address of the distinguished Representative from Montana [Mr. MONAGHAN]. The gentleman, I observed, stated that this bill was not free from possible mistake or criticism. I would like to point out to the House very briefly one or two things which have impressed themselves upon me. In the first place, we are all agreed that there should be regulation of some kind. The stock exchanges themselves state that they do not object to regulation.

Mr. MONAGHAN of Montana. Will the gentleman yield to me?

Mr. KENNEY. Certainly.

Mr. MONAGHAN of Montana. I want to say that I admire the gentleman from New Jersey [Mr. KENNEY], and I want to say that I believe the gentleman is as honest and conscientious and able as any Member of the House or any member of the committee; but does not the gentleman realize that every time there has been an effort to control industry in any respect, the cry has always gone out, "If you regulate us, you will ruin us"?

Mr. KENNEY. That may be true. But I believe industry should have a free hand as far as possible.

When we come, as we do now, to regulating stock exchanges, we approach it, I believe, from two angles. First of all, there is the moral side. It has been said that our people have gambled to excess upon the market exchanges of the world.

We were told that the machinery was dangerous; that men were losing toes and fingers; that there were no guards on the machines, to the inevitable injury of the public. So we undertake by this bill to install safeguards to protect the public from the dangers of the stock-market machinery as it formerly existed. To the credit of the stock exchanges of the country it must be said that they have discounted in large measure what we are going to do by making regulations of their own, discontinuing wash sales, pools, matched sales, and other manipulative practices which reacted to the detriment of the investors of our country.

There is the other side that we are dealing with, and that is the side which constitutes the credit problem of the country. Now, over in the Senate there is its stock-market regulation bill which places under the control of the Federal Reserve Board the regulation of stock-market credit by extending its authority to deal with margin requirements to be imposed by the member banks of the Nation. Here we go a step further. We not only extend the hand of the Federal Reserve Board over member banks for the purpose of controlling such credit, but we provide that no credit shall be extended to any broker or dealer except from or through (1) a member bank of the Federal Reserve System, (2) from a nonmember bank which shall have filed with the Federal Reserve Board an agreement to comply with the provisions of this act, the Federal Reserve Act, as amended, and the Banking Act of 1933, which are applicable to member banks and which relate to the use of credit to finance transactions in securities, or (3) in accordance with such rules and regulations as the Federal Reserve Board may prescribe. Stock-

market credits, therefore, must under this bill be obtained through the banks and loans from other sources are prohibited except as allowed by the Federal Reserve Board.

So you will not have another situation like you had in the late panic and immediately preceding, when call money from large institutions outside of our banking system came into the money market and furnished an inordinate degree of credit which resulted in excessive speculation. Stock-market credit can be had under this bill only through the banks, and the Federal Reserve Board will have complete control of all market loans.

We have gone far enough by the provisions to which I have referred in our purpose to control stock-market loans and prevent excessive speculation. Consequently I feel that we should not insist upon the high, and, in my opinion, unreasonable margin requirement in this bill. We undertake to set up a margin standard, and we do that by saying that the margin shall be 45 percent in one place, and in the next breath we say that it shall be 100 percent of the lowest price at which the security has sold in the last 36 months, but not in excess of 75 percent of the market price. I maintain that that is no standard, the margin fluctuating as it does from 45 percent down to 25 percent. If we are to have a standard, then I think that standard should be fixed. I would like to see in this bill a requirement that the margin should be only 33½ percent. I, for one, do not want to dry up the market for securities the ready sale of which has built up our great enterprises. The country today is virtually on a cash basis. We must relax and extend credit, and reasonable credit, to business and industry and to the purchasers of their securities. You will remember back in the beginning of the automobile days when our people paid cash for cars. Comparatively few cars were sold, and then only to a privileged few.

The minute credit was extended to purchasers of automobiles manufacturers increased their business and cars were sold by the millions. Relaxation of credit brought this about. The automobile instead of being a luxury for the few has grown to be everybody's necessity. Our security markets have always been liquid; to keep them so—and we should—a sane and reasonable standard should be established.

It may be said that the margin requirement is satisfactory to the stock exchanges and their members. That makes no difference. The securities of the country should be kept liquid, and I intend to offer an amendment at page 14, line 5, striking out the figures "55" and inserting in lieu thereof the figures "60", thus reducing the margin requirement from 45 percent to 40 percent. If Congress is to set a standard, let us set a standard that will be lived up to. We pass too many laws that are not lived up to or obeyed. I should like to see a standard below which we would never go, when it comes to the margin requirement. I predict right now that if this margin requirement is left in the bill it will only be a short time by necessity, if you are going to maintain a liquid market, when the Federal Reserve Board will lower the margin, and then the standard set by Congress will be exploited. I want to see acts of Congress obeyed by the people of our country.

In my opinion, this bill is of sufficient importance to warrant the setting up of an entirely new commission to administer it. The Federal Trade Commission, I believe, is a misnomer. This bill deals with practically half the wealth of the country, not only the business, but the finance of the country. It might well be that the Federal Trade Commission would be the body to administer this bill were the banks of the country controlled by the commercial interests of the country as used to be the case; but bankers now control the banks. I should like to see this control divested and put back in the hands of the commercial and business interests of the country where I believe it belongs.

But until that time comes, dealing with finances as well as with business as we are under this bill, the administration of the act is so important as to warrant the setting up of an entirely new commission to take charge. The Federal Reserve Board will have to increase its machinery; the Federal

Trade Commission, if given jurisdiction over this law, will have to increase its membership. It is better by far to establish an entirely new commission to administer this act and also take over the administration of the Securities Act.

I should like to refer to the manner in which business is affected by this bill, but time does not permit. I am hopeful, however, as I know the distinguished chairman of the committee [Mr. RAYBURN] is hopeful, that, whatever commission administers this act, it will immediately dispel all fears of undue interference with the orderly conduct of the business of the country.

It is true the bill contains severe criminal provisions, but these provisions are not intended to affect the individual who in good faith may violate some technical or abstract rule promulgated under the authority of the bill; and I hope those administering the act will never seek to impose any criminal penalty for a technical infringement, and unless there has been a gross violation of the act through misrepresentation or fraud or willful injury to the investor and the public interest. I should like to see a law passed here that would react in favor of the business of the country, one which would restore confidence on the part of our people in the securities of our commercial and other enterprises which have been reared upon the ready market for their stocks and bonds. This bill as presently written seems to go somewhat beyond that—and further, I believe, than it was intended to go. I would regulate the securities market by a bill which would awaken the stock exchanges to the realization that they had regained the confidence of the investing public, which would assure reasonable and wise administration of the act, which would be hailed by our people everywhere as salutary legislation for the betterment of the Nation. [Applause.]

[Here the gavel fell.]

Mr. RAYBURN. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio [Mr. CROSSER].

Mr. CROSSER of Ohio. Mr. Chairman, it is generally agreed by students of the subject, including many outstanding brokers and others actively connected with the stock exchange, that there should be proper regulation. Let me assure my colleagues that in providing for regulation I desire to see the exchange and those connected with it treated in an absolutely fair way. I believe that our committee made an effort to remove all reasonable objections from the bill in order to be fair, while at the same time providing for proper regulation. Apparently, however, the objections now offered are as sweeping and denunciatory as were the objections to the original bill. The opposition, therefore, seems to be hostile to any kind of regulation, and the propaganda against the amended bill is as great as it was against the original measure.

Let me add a word, therefore, to what the gentleman from Texas [Mr. RAYBURN] said about the propaganda of the stock exchange.

I call attention to the fact that the propaganda did not begin last February when the bill was introduced. It has continued for years. The exchange maintains a publicity department and an economists' department which employ from 24 to 30 people, who are constantly engaged in disseminating their views throughout the United States.

In the last 5 years the New York Stock Exchange has spent nearly \$1,000,000 for publicity for the purpose of influencing the minds of the American people in regard to its business. This is not all. You remember the utility interests' efforts to penetrate the schools, the colleges, and the press of the Nation? The stock exchange, on a lesser scale, has done the same thing. Lecturers go about the country addressing students in colleges telling about the value and usefulness of the exchange. They have had prepared and issued a textbook. It is called "The Work of the Stock Exchange." It is alleged to describe how stock buying and security markets function. In fact, however, it is an attempt to impress upon the minds of students the exchange's views as to the value of its service to society. This book was published by a well-known publishing firm in New York. Almost all the copies were bought by the

stock exchange. They bought 7,650 copies. It was placed in the hands of economic teachers, writers, publicists, and public officials all over the country. They put 1,724 copies in the public libraries of the country. They placed 1,146 copies in college libraries. They placed copies in the hands of the economic faculties of 514 colleges. Students in colleges are being referred to this book.

I do not dispute the right of these gentlemen to present all the arguments at their command. I do say, however, that as human beings they are likely to see things from their own viewpoint, and in the way that they have been in the habit of seeing them for years.

Certainly it seems fair and proper to say that what they believe to be self interest would induce them to promote their own views in regard to the subject before us with the most effective publicity available to them.

While I concede their right to use these means of publicity it is certainly entirely proper to call attention to the fact that systematic and methodical means of publicity have been employed to carry to the people of the United States the views entertained by these gentlemen in order to have the people accept their views. [Applause.]

Mr. RAYBURN. Mr. Chairman, I yield 15 minutes to the gentleman from North Carolina [Mr. BULWINKLE].

Mr. BULWINKLE. Mr. Chairman, I do not at this time care to discuss this bill in particular, but I do wish to call attention to the reasons why this propaganda, as it has been termed and which has been so much denounced, has gone over the country, or has come from the country to Washington.

This is the third bill on which our committee worked. The first bill was H.R. 7852. So vicious was it that the Assistant Secretary of Commerce, Mr. Dickinson, by his remarks upon it, drove an army truck through it. It was this bill, H.R. 7852, that went out to the country that caused the fear in the minds of business over this country; that is the bill that caused the trouble. In justice to the chairman of the committee it should be said that he did not draft it. It was, as one man said, "drafted by myself and some other groups." I had trouble getting out who the groups were. All this appears in the hearings. As I say, that is the bill that caused the trouble. After we got through with it we had another bill, H.R. 8720, I think it was; and we worked upon it. That bill was not quite so bad as the first one, but it still caused trouble, still caused fear. It also went to the country; it also caused fear. But the committee after further hearings and further amendments perfected the bill, and be it said to the credit of the committee and the subcommittee having charge of the redrafting of the bill, they did a pretty good job with the present bill, but it was only reported out last week; the country did not know anything at all about it.

Mr. EVANS. Mr. Chairman, will the gentleman yield?

Mr. BULWINKLE. Certainly.

Mr. EVANS. Then, if I understand the gentleman, the bill now before the committee is really the bill of the committee and not of the group which drew the first two vicious bills.

Mr. BULWINKLE. No, sir; they had very little to do with this one.

Mr. EVANS. Did they have anything to do with it?

Mr. BULWINKLE. I think they were attorneys for the committee or something. Two of these gentlemen were attorneys for the committee, but it was practically the work of the committee.

Mr. EVANS. But the gentleman does feel that this bill represents the reactions and the work of the committee?

Mr. BULWINKLE. Yes; of the subcommittee composed of the chairman, the gentleman from California [Mr. LEA], the gentleman from Alabama [Mr. HUDDLESTON], the gentleman from Michigan [Mr. MAPES], and the gentleman from Ohio [Mr. COOPER].

Mr. CLAIBORNE. Mr. Chairman, will the gentleman yield?

Mr. BULWINKLE. I yield.

Mr. CLAIBORNE. It is a fact that when an objection was made to a section or to a paragraph of a section and the committee saw fit to correct the draft of the bill to meet the objection, Mr. Cohen or Mr. Cochran brought it in in some other way at some other point in the draft.

Mr. BULWINKLE. I do not think so. I want to be just to them as I want to be just to the members of the stock exchange, for not a member of the stock exchange and not a single man appearing before the committee said he did not believe in regulation. They said they believed in regulation.

The only thing that was different with all of us was the degree of regulation. Some wanted little teeth and some wanted tusks. So far as I was concerned personally, I just wanted some moderate-sized teeth.

I will be frank with you. There are 39 provisions in this bill which create an unlawful offense right off the bat. Thirty-nine times it is declared to be unlawful to do something. There are 18 times, 17 for the Federal Trade and 1 for the Federal Reserve Board, 18 in all, that these two commissions may promulgate rules and regulations, a violation of which is a criminal offense. So out of it all we have a bill of some 60 pages which may create a criminal code reaching to a large number of sections.

May I say that the committee did a great piece of work. On the other hand, the propaganda that was sent out to defeat this bill was not aimed at this particular bill, but at the first bill. You who have lived in industrial districts in the last few years, you who have seen starvation, you who have seen the unemployment, realize that if anything is done to one of those industrial plants it will put this condition back into effect. Business, like a scale, is just quivering in the balance. May I say that we ought to be careful to deal justly and righteously with all.

May I say something else about this propaganda question which has been talked about here? In the past 4, 5, or more years, not only in this administration but in some others, the more we have become a State legislature for the United States of America the more propaganda we will receive. You cannot help but do just that, because the more you enter into the affairs of the people at their homes the more letters you are going to get from home. You cannot avoid that situation. There is nothing wrong in it, though may I say for myself that I have only had five telegrams and letters from my district about this bill.

Mr. WOLFENDEN. Will the gentleman yield?

Mr. BULWINKLE. I yield to the gentleman from Pennsylvania.

Mr. WOLFENDEN. Does the gentleman know the amount of foreign securities that are listed on the New York Stock Exchange?

Mr. BULWINKLE. I think in all it is about \$8,000,000,000.

Mr. WOLFENDEN. What will become of these securities if the issuers fail to seek registration by July 1, 1935?

Mr. BULWINKLE. If the issuers fail to seek registration, the investors, who are Americans largely, will suffer the loss.

Mr. CULKIN. Will the gentleman yield?

Mr. BULWINKLE. I yield to the gentleman from New York.

Mr. CULKIN. The gentleman stated that the committee has done a good piece of work. Prior to that the gentleman stated, as I understood him, that the committee had delegated to a Federal body the power to create a criminal code. Does the gentleman think that is good work?

Mr. BULWINKLE. I said they did a pretty good piece of work, as compared with the first bill. I want the gentleman to understand that if I were drawing this bill it would not be this kind of a bill, but we have to have some sort of a bill.

Mr. CULKIN. The gentleman does not believe it is sound to delegate to a governmental body the right to legislate as to what is or what is not a crime?

Mr. BULWINKLE. We are going to have to delegate some authority, but I would have done it to a less degree.

Mr. CHRISTIANSON. Will the gentleman yield?

Mr. BULWINKLE. I yield to the gentleman from Minnesota.

Mr. CHRISTIANSON. The gentleman believes this bill should be amended. Will he state what amendment should be adopted, in his opinion?

Mr. BULWINKLE. I believe a separate commission should be created. I am firmly convinced that the Federal Trade Commission, even though it should have two new members added, and consist of seven members in all, have enough work to do as it is without adding more burdens. I believe that a separate commission of three men, though some have suggested five, should look after the entire securities and exchange situation of the country. These many thousands of corporations would have to list their securities with the commission and report to them. It should be a separate commission. I believe it would be better administered, and I believe there would be less fear in the eyes of business men if this were done, not because they have any great amount of fear of the membership of the Federal Trade Commission. I know the Federal Trade Commission has already started working against this amendment, but why give them more power? They have enough to do now. They should not ask for more power.

Mr. WIGGLESWORTH. Will the gentleman yield?

Mr. BULWINKLE. I yield to the gentleman from Massachusetts.

Mr. WIGGLESWORTH. The gentleman has referred to numerous instances in which this commission is given power to prescribe what shall or what shall not be treated as a crime.

Mr. BULWINKLE. They are given the power to promulgate rules and regulations.

Mr. WIGGLESWORTH. Will the gentleman state whether or not my understanding is correct; that is, in many of these instances is there anything in the nature of an appeal to a court?

Mr. BULWINKLE. Oh, yes; there is.

Mr. WIGGLESWORTH. Is there the right of appeal from conviction for violation of a rule or regulation to the court?

Mr. BULWINKLE. I do not know of any instances in which there is not the right of an appeal as far as the criminal offenses are concerned. Of course, all criminal offenses are tried in court.

Mr. WIGGLESWORTH. Is there any appeal from the decision of the Commission?

Mr. BULWINKLE. Yes. You may go to the Federal court in civil matters.

Mr. WIGGLESWORTH. An appeal may be taken from an order of the Commission?

Mr. BULWINKLE. Yes.

Mr. WIGGLESWORTH. Is there an appeal from a rule or regulation as promulgated by the Commission?

Mr. BULWINKLE. May I say that the rules and regulations prescribe criminal offenses, the violation of which will be tried in a United States court. The Federal Trade Commission or any other commission does not try criminal matters. The United States courts try those matters.

Mr. CHRISTIANSON. I do not know whether the gentleman completed an enumeration of the amendments which he should like to see adopted.

Mr. BULWINKLE. I have another amendment to suggest, and this will immediately brand me as coming from Wall Street. I have never had anything to do with stock, except some cotton-mill stock, which I lost completely, so I hold no brief for Wall Street. I would revamp the whole section in reference to the reports which corporations would be compelled to make and would take some of the fear that business has out of the situation, though in my revamping it would not be much different from what it is at the present time.

Mr. CULKIN. The press recently carried the statement that Mr. Doherty, of the Cities Service, had sold a billion dollars of stock and had expended some \$900,000,000 keeping up the market price of the stock while he was selling the stock to the American people.

Mr. BULWINKLE. Ask me something about this bill, please.

Mr. CULKIN. That was merely preliminary, I may say to the gentleman. What section of this bill will cure that procedure?

Mr. BULWINKLE. One of the experts over here will have to answer that question. Mr. Chairman, which section will cure that procedure? I cannot answer that question.

Mr. SIROVICH. Will the gentleman yield for a question?

Mr. BULWINKLE. I yield.

Mr. SIROVICH. Would the gentleman be in favor of an amendment to protect the investing public by having the stock listed upon the securities board contain the book value or the accountancy value of every stock that is listed so that an investor would then know actually what the stock is worth and would not have to buy a cat in the bag.

Mr. BULWINKLE. Will not the investor, after he goes to the Federal Trade Commission at the present time be able to find out what are the securities that are listed there, and then go to the Commission or to the stock exchange and find out all about it?

Mr. SIROVICH. But if you have the stock listed with its book value you do not have to go through all this red tape.

Mr. BULWINKLE. The investor will just have to go to the stock exchange or the Commission and find out about it.

Mr. SIROVICH. They cannot tell him about that at the stock exchange.

Mr. BULWINKLE. Under this bill they can, because the report is made to the stock exchange by each corporation.

Mr. SIROVICH. But it is not mandatory.

Mr. BULWINKLE. It certainly is mandatory. That is one thing I am fussing about right now.

Mr. BRITTEN and Mr. CLAIBORNE rose.

Mr. BULWINKLE. I yield first to the gentleman from Illinois.

Mr. BRITTEN. If I am correctly informed, the gentleman will offer an amendment providing for a commission of three members.

Mr. BULWINKLE. The gentleman is correct.

Mr. BRITTEN. Two of them to be Democrats and one to be a Republican.

Mr. BULWINKLE. Well, I never distinguished between Democrats and Republicans at all. That would not do.

Mr. BRITTEN. Sometimes it is impossible to do so.

Mr. BULWINKLE. I said not more than two of one political party and one of another. The gentleman ought to keep the political parties out of these matters. [Laughter and applause.]

Mr. BRITTEN. There are a number of men on the floor of the House who want to go along with him on such an amendment.

[Here the gavel fell.]

Mr. COOPER of Ohio. Mr. Chairman, I yield the balance of my time to the gentleman from Connecticut [Mr. BAKEWELL].

Mr. BAKEWELL. Mr. Chairman, I rise in opposition to this measure. I do so with some reluctance, because I am not an expert in this field, but I feel that I should be remiss in my duty to my constituents if I did not voice a protest against this bill.

I have read and reread this measure; I have read with great care the committee report; and I confess frankly there are some provisions of this bill that I do not yet thoroughly understand. And this is one difficulty with the measure, one of the causes of the apprehension which has spread over the country: Its provisions are unclear, so much so that members of the committee who have been sitting for weeks working over this bill line by line are not agreed as to precisely what it means. One thing is certain, if this measure is enacted, following upon many others with perplexing obscurities, there is one profession at least which will not suffer from unemployment, and that is the profession of the lawyer.

We are told that this bill was put into the hands of the President on the eve of his departure on his fishing vacation, and that he forthwith put the seal of his approval upon it. I marvel greatly at his ability to read and digest

at a glance this complicated 60-page bill. And yet the subject is so vast; so complicated and intricate are its many provisions, that somehow a feeling of incredulity steals over me. I do not believe that he intended to put the seal of his approval upon this bill in all of its details. He approved of its general purpose and of certain general provisions to meet that purpose. He has told us definitely what he wanted.

I recommend to the Congress—

The President said—

the enactment of legislation providing for the regulation by the Federal Government of the operations of exchanges dealing in securities and commodities for the protection of investors, for the safeguarding of values, and, so far as it may be possible, for the elimination of unnecessary, unwise, and destructive speculation.

With regard to this general purpose there is no disagreement whatever amongst us. We are all in favor of that. Members of the stock exchange, representatives of industry also favor regulation of securities exchanges. And we all favor action which will prevent riotous and uncontrolled speculation, which will chop off the peaks of the boom years in order to fill up the valleys of depression. Every one is in favor of regulation which will, so far as it is possible by law to do so, prevent those inequitable and unfair practices which have developed.

I have had many letters of protest, very few of them from those interested in the stock exchanges, and most of them from prominent industrialists of my State, men of great ability, of highest integrity, public-spirited citizens who are fearful of the results that will follow the adoption of this measure.

I should like to read from some of these letters, but my time is so limited that I can only give you a sample of the sort of thing that has come to me.

The first one is from Mr. Brower Hewitt, of the Acme Wire Co., New Haven, Conn.:

Certainly no one could have any objection to a bill containing reasonable provisions for the regulation of stock transactions, but this bill goes far beyond any such reasonable regulation, providing as it does for a very rigid and, I believe, unwise control over all industrial productive endeavor. It does not seem to me that, simply because certain individuals have perpetrated unfair stock deals of various sorts, that legitimate manufacturing businesses, small and large, should be penalized and handicapped as they may be under the operations of the proposed bill.

More specifically, I would object to provisions of sections 6, 11, 12, and 14, which throw particularly onerous burdens on small businesses whose stock may not be listed on national exchanges. While it may not be inherent in the National Industrial Recovery Act that small businesses are discriminated against, I think it cannot be denied that in certain instances the codes have produced that result. Here again in the Fletcher-Rayburn bill small businesses will be further handicapped as against their larger competitors. This seems to me such an unfair thing and so highly undesirable that I cannot believe there is any desire on the part of the administration or the Congress to bring it about.

The second is from Mr. N. W. Pickering, of the Farrell-Birmingham Co., of Ansonia, Conn.:

I am protesting against it entirely as regards its effect on industry. Under the guise of exchange regulation it places business under commission control, requiring innumerable reports which may be made public, and will perpetuate bureaucratic control of business.

This I believe to be another step in the insidious policy of the so-called "brain trust", or radical element, which is working for but one end, and that is the nationalizing of industry and many other activities of the country, which can but result in destroying the initiative and the independence of action which over a long period of time has proved the salvation and success of this country.

It is no longer a question of party politics. Thinking people are beginning to realize that there are only two parties in this country:

(1) The party which desires to maintain the institutions, customs, and the integrity of a government which has climbed to heights above all others.

(2) The party which wishes to sacrifice all of our benefits and comforts, obtained through hard work, on the altar of experiment and ultimate communistic union with the Soviet Government.

We have heard a great deal of criticism of wide-spread propaganda in connection with this bill. But surely, when a measure is pending in Congress that affects the interests of large groups of citizens, it is not surprising, nor is it reprehensible, that they should protest against it. If this

were a bill regulating the farming industry, would you not expect the farmers to protest if they thought it opposed to their interests, and would not the farmers' unions send out letters stimulating lethargic farmers to active opposition? We have had propaganda sent out under this administration on a larger scale than we ever have before, even during the war. I myself have received a document giving instructions to speakers, with prepared speeches for delivery on every sort of occasion, supporting the N.R.A. and other parts of the recovery program. That was propaganda.

Now, the gentleman from Illinois asks the date of these letters, portions of which I have read. One was the 24th of April, and the other about 2 weeks earlier. No doubt a large part of this hostility and fear was occasioned by the provisions of the bill as it was drafted in its original form. The bill before us has been very much improved, but it still contains the most menacing feature of the earlier bill, namely, large and indefinite power of dictation to industry by a commission of the Federal Government.

Regarded as a stock-market bill, this is perhaps as good a bill as could be worked out in the short time that was taken in its preparation, for, after all, a few weeks is a short time for the writing of a bill to dispose of a matter of such moment.

There are some things that I think should be changed. Perhaps the margin provision should be made more elastic. Certain it is, I think, that a separate commission should be charged with the administration of the bill, and that that separate commission should be completely nonpartisan, and should have upon it a representative of industry, a representative of the exchanges, and also a representative of the people who are not connected directly either with the exchanges or with industry.

There is a provision, an absurd and dangerous provision, that any stockholder who owns 5 percent of the stock in any company must at the end of every year publish a statement telling whether he has increased or decreased his holdings, and to what extent. Nothing could be more damaging to our smaller industries, industries not listed on the big exchanges, than a provision of that kind. In any one of these smaller industries there may be half a dozen people closely associated with it, each of whom may hold 5 percent or more of the stock. Now, suppose the statement is made public that Mr. X has reduced his holdings; will not the inevitable reaction be, "Mr. X has reduced his holdings; he is closely associated with the business and must know the value of the stock; he is selling; I had better sell too." You can easily spread panic and fear among the stockholders. Being over-the-counter stock, no large market existing, values can be destroyed overnight.

Under the pretense of regulating stock exchanges there have been inserted in this bill provisions which give a commission set up in Washington, with the bureaucracy that surrounds it, absolute power over all industry, over all corporations, large and small; a commission with unlimited power to make such rules and regulations as it may see fit, over and above any which are prescribed in the bill, and those rules and regulations are not subject to review. It can call for reports and lay down rules and regulations here which will set up a financial burden upon our smaller industries which they simply cannot afford to sustain.

Mr. PETTINGILL. Mr. Chairman, will the gentleman yield?

Mr. BAKEWELL. Let me finish my statement first and then I shall be glad to yield if I have the time. Our industries in Connecticut have been doing their best to support the recovery program of the administration. They have taken upon themselves burden after burden. They received a terrific shock in the tariff bill which passed this House the other day, which makes it possible to destroy an industry by Executive decree. Here comes another bill which threatens to prove the straw that will break the camel's back. We need to learn that there can be no recovery and no genuine reemployment unless and until industry is given the opportunity to thrive and prosper. It is said that by limiting the amount of money that can be

loaned on the stock exchanges we are releasing so much to be loaned to industry and to agriculture. If industry and agriculture fail to get these loans at the present time, it is not because there is not ample credit, but because there is lack of confidence, because there is fear.

When a patient is seriously ill we know that to give him strong medicine after strong medicine is the way to kill him. The human constitution will not stand such treatment. It is precisely the same with the constitution of industry. We have been giving it strong medicine after strong medicine. We cannot continue this treatment without killing the patient. It is time to give the patient a rest, and to let nature get in its healing work. That is the only way in which we can possibly find our way back to normal conditions.

We have been told that this bill is a conservative bill, and that if we do not have this we shall have something much worse. That bugaboo has been presented here on many occasions as an excuse for doing things that are intrinsically wrong. The gentleman from North Carolina [Mr. BULWINKLE] has just said that this bill does not meet with his approval; that he would like to have it different; but that nevertheless he is going to support it. Would it not be better, since the matter is not immediately pressing, since there is no boom impending, to take time to give ample consideration to this bill and bring in one 7 months from now that does not contain those objectionable features which he has described, and which my colleague from Ohio [Mr. COOPER] had earlier so well and effectively presented for your consideration?

When this is called a conservative bill, the word "conservative" is used in the Pickwickian sense. This bill is just one more step in setting up a complete centralized bureaucratic control from Washington of the entire life of the people, and as such it certainly cannot be regarded as a conservative measure. I am reminded of the story of what happened in a New England village, in the days before the automobile, when the little farming communities were very much isolated. A farmer suddenly fell heir to some money, about \$1,800. It looked like a very large sum. He had never seen as much money as that in his life, and he did not know what to do with it. But a friend told him that New York was a good place to spend money in. So he went to New York, and the inevitable happened. He fell in love with a beautiful waitress in a restaurant, and the next morning he married her and took her back to his little country home. About a year later his friend was passing that way and stopped to see him. "Hello, Bill", he said, "how are you?" The farmer replied, "Oh, I am jes' farin' along, and I'se mighty lonesome." "How is that?" said the friend, "what became of that beautiful wife you brought home from New York?" "Oh, she is daid." "Dead? How did that happen?" "You see", said the farmer, "she hadn't been here more than a month when she fell down and broke her leg, and I had to shoot her." [Laughter.]

Now, it seems to me that the provisions of this bill are going to do to industry very much what that poor old farmer did to his wife—kill it off speedily to avoid the agony of dying long drawn out.

Mr. DUNN. Will the gentleman yield to me?

Mr. BAKEWELL. I yield.

Mr. DUNN. If this bill is enacted into law, will it not protect men and women who desire to invest money in the future in corporations?

Mr. BAKEWELL. To a large extent it will. The corrective features and the provisions that call for exact and accurate information are excellent. I am in favor of the stock-exchange control features of the bill. But there is no necessity for the second half of this bill, which sets up a Federal dictatorship over industry. To be sure, nothing can keep a fool from being parted from his money. No law that can be passed will do that. A very wise man said some years ago that the only result of legislation that tried to protect the fools from the consequences of their folly would be to people the entire world with fools.

Mr. MALONEY of Connecticut. Will the gentleman yield?

Mr. BAKEWELL. I yield.

Mr. MALONEY of Connecticut. Does the gentleman mean to infer that all the people who lost money in the stock market since 1929 were fools?

Mr. BAKEWELL. Certainly not; and a lot of them would have been saved if some of the provisions of this bill had been in force.

I want to repeat that I am not opposing the provisions to regulate the stock market. We are all for that, but I am opposed to tacking onto this bill the other half of it which has to do with the control of industry, and I think we should take time to rewrite the bill so as to eliminate the objectionable and dangerous features.

Mr. PETTENGILL. Will the gentleman yield?

Mr. BAKEWELL. I yield.

Mr. PETTENGILL. Does the gentleman think the stockholders of a corporation are or are not entitled to know whether their officers, who are in a quasi-fiduciary capacity, are writing the stock market up or down at the time they are giving out favorable or unfavorable statements as to the condition of the company?

Mr. BAKEWELL. That question has been answered above. There are provisions in this bill that are excellent, and which try to insure the recognition of the fact that the directors or other officers of a company are acting in a fiduciary capacity and have no right to take any advantage of inside information.

The CHAIRMAN. The time of the gentleman from Connecticut [Mr. BAKEWELL] has expired.

Mr. RAYBURN. Mr. Chairman, I yield 15 minutes to the gentleman from Missouri [Mr. MILLIGAN].

Mr. MILLIGAN. Mr. Chairman, in answer to the statement made by the gentleman from North Carolina when he said, "In this bill you are writing a criminal code", I would say that when you delegate authority to a commission or to a board you must give authority to make those rules and regulations effective. I would say to the gentleman from North Carolina that if his statement were true, when he voted for the Securities Act he voted to write a criminal code. I would say that when he voted for the Agricultural Adjustment Act he voted for a criminal code. I would say that when he voted for the National Recovery Act he voted for a criminal code. I would also say that when he voted for the Glass-Steagall banking bill he voted for a criminal code, because those acts contain practically the same section that is carried in this bill making effective the rules and regulations of the commission.

The Committee on Interstate and Foreign Commerce has considered this bill for 9 weeks. A number of redrafts have been made by the committee. Hearings were held, and those in opposition to this measure were given every opportunity to appear before the committee and present their views. I want to take this opportunity to compliment the chairman, the able gentleman from Texas, for his patience and the consideration that he gave to everyone who had a meritorious suggestion to make relative to this legislation. The chairman not only permitted everyone who had suggestions to make to appear before the committee, but he privately met with the different groups of business men and others and went over the bill with them, giving consideration to all of their suggestions.

Some would lead you to believe that the object of this legislation is to punish a particular group and to destroy legitimate business. This is not a fact. Members of the committee realize that the stock exchanges are necessary as a market place for the free trading in securities. The object of this measure is to control credits, control the unfair manipulating practices, to provide for adequate and honest reports to security holders by the corporations, to control the unfair practices of officers and directors of corporations who use inside information obtained in their position of trust to enrich themselves and destroy the value of stock owned by the stockholders of their particular company.

Practically every witness who testified before the committee stated that he believed Federal regulation of stock exchanges was necessary. It is unnecessary to go into the reason for this legislation. We know from investigations that have been made that by the sale of securities, manipulation and excessive speculation, the purchasing power of the investing public has been destroyed in the sum of something near \$50,000,000,000. One of the most controversial sections in this bill is the marginal-requirements section. The committee believed that this section should be elastic, lodging the authority of administration in the Federal Reserve Board. Legislative standards have been set. However, we give to the Federal Reserve Board broad discretionary powers, if it is necessary in the public interest to lower or raise these standards. It is provided that when an initial loan is made the borrower shall put up 45 percent of the current market value of the securities or 100 percent of the lowest market price during the preceding 3 years, but in no case more than 75 percent of the current market price.

In order to prevent any deflationary effects from this legislation, the effective date of this legislation relative to loans now in effect or the renewal of those loans is postponed until January 31, 1939.

During this debate the gentleman from New York suggested in his remarks a desire on his part to exclude loans by banks from the marginal provision. As I view this matter, it would be fatal to set one standard for the broker and one standard for the banker. If no marginal requirements were set for the banks it would put the broker out of business, or if a lower marginal requirement was made for the banks than for the broker, all of the loans would be made by the banks and no loans by the broker. The same standard, as I view the situation, must apply to the broker as well as to the banker. Of course, this marginal requirement only applies when the loan is made for the purchase of securities. If an individual has securities and he desires to obtain a loan from a bank not for the purchase of additional securities but for other purposes, the bank can loan as much as it sees fit on the collateral.

The talk that requiring decent reports to stockholders by listed companies constitutes Government regimentation of every small business in the country is unusual to come from the mouths of the great investment banking firms in New York City—Morgan's, and Kuhn-Loeb, and Lehmann Bros., and the rest, who govern and are fighting for, and are trying to fool business men into fighting for, the New York Stock Exchange. The great regimenters of business in the United States, the great destroyers of a sound industrial democracy in the United States, are those firms themselves—that use the stock exchanges to float huge holding companies, which swallow up all the independent, moderate-sized businesses in the United States, and fill the boards of directors of these great holding corporations with directors and management whom they choose, and who report to them and who make available to them long before the information is available to stockholders, if it ever becomes available at all, the most intimate details of the affairs of these corporations.

One of the witnesses before the House committee, a partner in a great New York banking house, testified that as a director he represented his banking house on the boards of 17 great corporations. All this bill does is require that the public which buys into the securities of these great listed corporations, and which puts up the money for their operation, should know at least a small part of the information which at the present time is freely available only to these banking houses that put up practically none of the money but gain control of boards of directors through underwriting contracts. Why should not the American public which owns these great listed companies know a little about the way they are run, when the investment banking houses which own only a few shares of a class A management stock and who made a profit out of selling the public these same securities control the boards of directors and the management and know all about the affairs of these corporations? This bill offers the beginning of a hope that possibly the public which

bought the securities of American industry may get back control of its companies from the bankers who sold the companies to the public.

It has been suggested that an amendment will be offered creating a new commission for the administration of this legislation. It seems to me that the logical board to administer this bill is the Federal Trade Commission, due to the fact that this is a companion bill of the Securities Act. That Commission has already obtained a great deal of information relative to securities that have been issued. Therefore, it will be unnecessary for them to call for additional information. It has a trained staff of experts, and I can see no logical reason why the administration of this act should not be lodged in that Commission with the addition of two new members, providing the Commission can create a separate division to administer this legislation.

The Federal Trade Commission has been reorganized under President Roosevelt's administration. He, of course, would have the appointing power of a new commission, and I do not believe in tying the hands of the President, whether he be Democrat or Republican, as to whom he should appoint on any commission or board, as I have full confidence in the President that he will appoint men of outstanding ability to administer this or any other act. If this provision of the bill is retained, the Federal Trade Commission with its present staff will be able to organize the administration of the act 6 months sooner than any new board or commission that might be set up.

This, of course, must be a very technical bill, due to the fact that the practices in dealing in securities on the stock exchange are very complicated. It is necessary that this legislation cover these transactions in full. The committee considered this bill section by section. It has spent a great deal of time upon it, and I think it would be unwise to attempt to amend this bill on the floor of the House. I feel sure that all amendments that will be offered have been considered by the committee. Because of the intricate provisions of this bill I think it would be unwise to adopt any amendments on the floor of the House where we cannot give them proper consideration. In my opinion this measure will not injure legitimate business or legitimate transactions on the stock exchanges. It will, however, revive confidence of the investing public in the stock exchanges as well as in securities. [Applause.]

Mr. RAYBURN. Mr. Chairman, I yield 1 minute to the gentleman from Ohio [Mr. TRUAX].

Mr. TRUAX. Mr. Chairman, the story told by the distinguished gentleman from Connecticut about the shotgun is quite applicable to the bill. There are a lot of financial buzzards down on Wall Street who ought to be shot and who will be shot financially by this bill.

I am for this bill because it is doing something to Wall Street instead of doing something for Wall Street. I am for this bill, because it will do something to the bloodiest band of racketeers and vampires that ever sucked the blood of humanity, John "Pirate" Morgan & Co. If all the tears and the blood that he has caused to flow could be gathered together into one pool it would be deep enough and large enough to float his \$3,000,000 yacht, the *Corsair*, and the private yachts of all his fellow pirates.

Something has been said about teeth and tusks in this bill. Both of them are too light for me. I would equip this bill with triple-plated, copper-riveted, razor-honed spear points steeped in the poison of the deadliest snakes of India.

No one has a greater sympathy for industry than I, but as for the marauding speculators, not only would I regulate them but I would put them out of business; and I think this law will accomplish that end. [Applause.]

During the consideration of this bill by the Committee on Interstate and Foreign Commerce I have received many letters and telegrams, so many, in fact, that it has been impossible to acknowledge any great percentage of them. I am listing herewith some of the names taken at random, whom I have been unable to reply to personally because of limitations of time, human endurance, and stenographic force.

I hope to be able to have this speech printed, so that I may send each one of these gentlemen and ladies a copy, that he or she may consider these remarks as a complete acknowledgment of his or her protest.

NAME, ADDRESS, AND BUSINESS

W. A. Dicus, 7102 Westlake Avenue, Parma, Ohio.
 Raymond F. Menning, 13312 Harlan Avenue, Lakewood, Ohio.
 C. F. Heidenreich, 1496 East Two Hundred and Twenty-first Street, Euclid, Ohio.
 W. A. Webster, Muskogee, Okla.
 Adolph J. Conrad, 3403 West One Hundredth Street, Cleveland, Ohio.
 Firestone Tire & Rubber Co., Akron, Ohio, manufacturers.
 B. F. Goodrich Co., Akron, Ohio, manufacturers.
 Goodyear Tire & Rubber Co., Akron, Ohio, manufacturers.
 W. J. Baer, Celina, Ohio, agent.
 F. C. Crawford, president, Thompson Products, Inc., Cleveland, Ohio.
 Clydesdale J. Cushman, president, Cushman & Wakefield, Inc., 30 East Forty-second Street, New York City, real estate and insurance.
 E. B. Padgett, trainmaster, C.C.C. & St.L. R.R., Galion, Ohio.
 W. H. Schisler, Reynoldsburg, Ohio.
 E. G. Thompson, East Cleveland, Ohio.
 H. C. Wilmarth, president, 5700 Walworth Avenue, Cleveland, Ohio, Russ Soda Fountain Co.
 James F. McConnochie, Park Crescent Hotel, 150 Riverside Drive, New York City.
 B. Rossen, 10216 Ostend Avenue, Cleveland, Ohio.
 W. J. Adamson, 1340 West Clifton Boulevard, Lakewood, Ohio.
 D. D. Miller, 528 Walnut Street, Cincinnati, Ohio, Miller School of Business.
 L. O. Stearns, manager, 1294-1296 East Fifty-fifth Street, Cleveland, Ohio, American Radiator Co.
 Sheldon D. Gray, 13450 Clifton Boulevard, Lakewood, Ohio, employee of stock-exchange house.
 Werner G. Smith Co., division of Archer Daniels, Midland Co., Cleveland, Ohio, stock-exchange business.
 Charles A. Hoskin, 968 Paxton Road, Cleveland, Ohio.
 Gene McCann, 52 William Street, New York City.
 J. H. Rand, Jr., chairman Committee for the Nation, 205 East Forty-second Street, New York City.
 F. A. Miller, president H. C. Godman Co., Columbus, Ohio.
 H. W. Prentiss, Jr., president, Lancaster, Pa., Armstrong Cork Co.
 Robert J. Leonard, 230 Fifth Avenue, New York City, manufacturers of woolen fabrics.
 George B. Chandler, secretary Ohio Chamber of Commerce, Huntington Bank Building, Columbus, Ohio.
 Herbert Byer, 329 East Broad Street, Columbus, Ohio, advertising agency.
 Renkert, president, Canton, Ohio, Metropolitan Paving Brick Co.
 Barndt, president, Cleveland, Ohio, Great Lakes Aircraft.
 E. F. Hayes, assistant superintendent, Springfield, Ohio, Cleveland, Cincinnati, Chicago & St. Louis Ry.
 Estate Stove Co., Hamilton, Ohio, stove business.
 Bacon, Stevenson & Co., 39 Broadway, New York City, members New York Stock Exchange.
 James Wright, 225-241 West Thirty-fourth Street, New York, chain store, G. R. Kinney Co., Inc., shoes.
 P. D. Miller, 2927 Parkwood Avenue, Toledo, Ohio.
 Annie Bliss, 1745 Eddy Road, East Cleveland, Ohio, brokerage clerk.
 Willard Storage Battery Co., Cleveland, Ohio.
 W. B. Martin, Cleveland, Ohio.
 L. O. Moseley, Atlanta, Ga., stockholder.
 M. J. Cohen, president, 229 Batavia, Toledo, Ohio, Toledo Cloak-makers' Union.
 S. J. Schwarzwald, 161 Overbrook Drive, Columbus, Ohio.
 I. Chapman, 87 Amazon Place, Columbus, Ohio.
 Trowbridge, Callaway, chairman, 15 Broad Street, New York, investment house group.
 Hugo Petterson, Mount Vernon, Ohio, Mount Vernon Bridge Co. (engineers and builders).
 Walter F. Koch, manager, 1800 Hubbard Road, Youngstown, Ohio, Wehle Baking Co.
 Charles I. Marston, 2644 Chesterton Road, Shaker Heights, Ohio.
 Elizabeth Pavlik, 1041 East Seventy-fourth Street, Cleveland, Ohio.
 Pyke Johnson, vice president, Transportation Building, Washington, D.C., National Automobile Chamber of Commerce.
 John H. Briggs, 2750 East Overlook Road, Cleveland, Ohio.
 Wm. Metcalf, vice president, Ambridge, Pa., Wyckoff Drawn Steel Co. (cold-drawn steels).
 W. E. Stewart, vice president and general manager, 345-349 West Fortieth Street, New York, Cork Import Corporation.
 John J. Watson, president, Albany, Ga., International Agricultural Corporation.
 Donald W. Strong, 15901 Clifton Boulevard, Lakewood, Ohio, investor.
 J. A. Davidson, 17216 Endora Road, Cleveland, Ohio.
 Leroy C. Irwin, 4436 West Sixty-first Street, Cleveland, Ohio.
 Elizabeth M. Kearney, 17623 Harland Avenue, Cleveland, Ohio, employee brokerage house.
 Mrs. Blanche F. Schreck, 3622 West One Hundred and Forty-eighth Street, Cleveland, Ohio.

Edward T. Bartlett, 2322 South Overlook Road, Cleveland Heights, Ohio, employee of brokerage house.
 Ruth A. Shaw, 1100 East One Hundred and Sixty-ninth Street, Cleveland, Ohio, employee of brokerage house.
 A. J. Horn, secretary, Toledo Chamber of Commerce.
 J. R. Edwards, 303 Dixie Terminal Building, Cincinnati, Ohio, investment securities.

One well-meaning but misinformed constituent of mine is concerned over the enactment of this bill because he thinks it will be a repetition of the prohibition blunder. He says:

I wish to voice my protest against the enactment of the National Securities Exchange Act of 1934 as it now stands. While it has been rewritten and one or two sections have been modified, I still feel that social-reform legislation should not be attempted at a time when business conditions are in a turmoil. The enactment of the eighteenth amendment at a like time proved disastrous, and the Securities Act of 1933 has kept business from forging ahead by the inability of domestic corporations to borrow the needed capital to expand and buy much-needed materials.

His intentions are good, but his vision has been clouded by the propaganda of the Wall Street crowd.

A manufacturer of Cleveland, Ohio, wires me that he is strongly opposed to this bill—

On account of the provisions which will interfere with proper and lawful conduct of our business, and give control of listed corporations to the Federal Trade Commission.

Here is another case of good intention but mistaken judgment.

A voter of Muskogee, Okla., writes me and says that—

The people seem to be up against it for protective legislation by Congress.

I do not agree with the gentleman.

The present bill, as a measure for the protection of the common people, is only comparable to the Banking Act of 1933 and the Securities Act. He says that he wants to give his Congressman and Senator "hell" when he gets a chance, for their contributions to this act. I am sure that when he understands the bill thoroughly he will want to withdraw that statement. He says that present reports out his way state that "New York Stock Exchange 'workers' steering committee" estimate that 1,000,000 individuals throughout the country would be adversely affected by the adoption of the Fletcher-Rayburn bill in its present form", and adds, "Now, isn't that too bad?" He is keen enough to observe that 75,000,000 individuals throughout the country have already been adversely affected to the extent of 60 to 90 percent of their life's savings invested in so-called "securities" listed on that market with its unethical and dishonest practices.

The American people want to know who owns this Government? After the enactment of the Fletcher-Rayburn bill into law, the Wall Street burglars will know that somebody is running it besides themselves. They are perfectly willing to be regulated, so they say, as long as they can write the regulations. They are willing to observe law and order providing they can write the law and dictate the order.

Here is a misguided soul from Cleveland, Ohio, who says that as a voter he wants to protest the pending stock-exchange regulation bill. He thinks that such a measure, if enacted into law, can only work great harm to all of us concerned. My answer is, it certainly will not work any great harm to the millions of American investors who lost \$65,000,000 during the crash of 1929, while the Wall Street brokers—the Dillingers of Wall Street—made \$2,000,000,000 off of these people whom they now call suckers and fools.

Among the big-shot protestors I find the Firestone Tire & Rubber Co., the B. F. Goodrich Co., and the Goodyear Tire & Rubber Co., of Akron, Ohio. These companies protest against certain provisions of the bill that we are now considering. They say that section 11 would require corporations with listed stock to agree in advance to comply with any future rules and regulations that might be subsequently issued by a regulatory commission. They say, further, that this is an unnecessary and improper extension of power; burdensome and unnecessary reports are required by the bill in its present form.

My good friends, that is exactly what the farmers of this country are saying about the burdensome regulations that are placed upon them by the provisions of the A.A.A., the love baby of the United States Chamber of Commerce, as indicated in the recent statement of Dr. Raymond Moley. The good doctor says that this is not the conception of farm leaders, as we have been told, but of the swivel-chair farmers who farm the farmers and whose address is Wall Street, U.S.A.

The rubber manufacturers also object to certain other sections of the bill. They believe that it will diminish the liquidity of securities and hamper the acquisition of new capital. Again, these gentlemen, even though they represent the largest rubber factories in the world, have been bamboozled by the Wall Street sharks. There is nothing in this bill that will adversely affect the sale of bonds and legitimate stocks in securities and the various types of rubber goods which they manufacture.

Another industry in Ohio fears that the bill contains provisions so drastic and detrimental to corporations that their existence is jeopardized. Our answer to that is: In the past the magic and legerdemain of the Wall Street speculators and manipulators was so drastic and detrimental to farmers, wage workers, war veterans, and small business men that they are all broke.

Here is a good one. It comes from Mr. J. Clydesdale Cushman, president of Cushman & Wakefield, Inc., New York City. This gentleman pathetically avers that it means the dismissal of 26 employees in one branch office and of additional clerks in their main office. In holy terror, he opines that this is only the forerunner of hundreds of notifications inspired by the threat of the proposed bill to regulate stock exchanges, which owners in his city will receive. He says further that his corporation alone have in buildings, under their management, 30 stock-brokerage firms. The closing of their offices will not only throw out of employment hundreds of white-collar workers, but building owners who house such tenants will be forced to cut down their maintenance staffs, obviously defeating the President's aims of N.R.A. I find it impossible to swallow all that this gentleman says, even though he may mean well.

When we repealed the eighteenth amendment, hundreds of bootleggers were thrown out of employment and now must seek jobs in legitimate industry. This legislation may, and no doubt will, throw out of employment hundreds and perhaps thousands of bootlegger brokers and operators of bucket shops who "milked" the public by authority of law for the past decade.

A much better slant on this bill comes from W. H. Schisler, chairman of the committee of the Grange at Reynoldsburg, Ohio. Friend Schisler urges me to support the Fletcher-Rayburn bill, which, he says, will control gambling in food products, stock, and bonds. Thank you for your contribution, Brother Schisler; you are right, and I am voting your way.

One gentleman from Cleveland, Ohio, fears that corporations will be filled with dummy directors. I must say to my dear friend that the Pecora investigation last summer developed the fact that old John "Pirate" Morgan owned about \$40,000,000,000 worth of the corporations in this country, that he paid no taxes, and that his directors were not only dummy directors, but crooks as well.

One large industrialist says that his objections are many, but he wants to call my particular attention to the various clauses of the bill which are particularly harmful. He fails to mention, however, the paragraphs to which he refers. Hence, I am unable to pass judgment. Personally, I have been unable to find any objectionable clauses myself. His first objection, he admits later, is, "Against the principle involving the policing of a great industry by the Federal Government." I must inform my honorable and well-meaning constituent that this bill will not in the slightest extent attempt to police the honest business practices of such industries as his. It will, however, not only police, but place behind the bars the bloody butchers of Wall Street who have lived in high style on the blood of the

common people. This gentleman concludes his letter by saying, "Should this bill ever be put up to vote, we expect to find your name in the 'no' column." It gratifies me to be able to inform the gentleman that, when the roll is called, my vote shall be "aye" in the loudest voice at my command.

Here is another New York City constituent of mine. Of course he is opposed to the bill but he stresses the importance of keeping the existing system working while we reform it, or we will find ourselves without an adequate investment system. That is precisely our trouble now. In the debate on this floor this day it was agreed to unanimously that the trouble with all business, big and little, is the need for a relaxation in credit.

Naturally, most of these communications come from the cities. One from Cleveland, on plain stationery, which indicates the gentleman has been inspired to write this letter by the propagandist, offers the suggestion that a bill having such profound effect on our economic system should be put through very slowly and only after a long period of careful consideration.

Well, as I understand it, the committee has devoted 7 weeks of hard, ceaseless labor to this bill. Naturally, in its present form, it does not suit the Wall Street gamblers. The committee might take 7 years to consider the bill, and they would be no nearer drafting a bill that would meet the approval of these racketeers. The gentleman in question humbly suggests that this bill be postponed until the next session of Congress, so that a rational and workable bill may be formulated. This would suit the New York plunder bunds perfectly, since it would give them one more open season to complete the slaughter of the innocents.

I do not question the honesty of purpose nor the sincerity of my constituents in the State of Ohio and without who have communicated with me on the Fletcher-Rayburn bill, which proposes to do something to the moneyed aristocracy and something for the struggling masses of farmers, war veterans, wageworkers, small business men, and producers.

I fear that some of them have become unduly excited through reading the vicious propaganda of the "toreadors" of the Wall Street "bull ring." We are told that a \$200,000 slush fund was raised to misinform the American people, to delude them, to ensnare them into the clutches of the Wall Street gamblers, and to intimidate, harangue, and bulldoze the Congress of the United States so that they will not pass this bill, which may be called a new "declaration of independence", a declaration of independence from the long, bony talons of the swindlers on the New York Stock Exchange. Such swindlers as Thomas Lamont, Morgan's "sidekick", who in the Pecora investigation last summer clung to Morgan's side like a pestiferous flea to a mangy cayuse.

Under the sharp questioning and pointed barbs of Ferdinand Pecora, whenever "Morgan the Magnificent's" memory was bad, it was his able aide, Lamont, who refreshed his memory. Such swindlers as the suave, blasé, perfectly manicured George Whitney, who, when asked a pointed leading question, would tilt his aristocratic head with all of the nonchalance and composure of a Webster declaiming messages that would be written in the immortal tablets of history, "The answer will be—." Elegant and arrogant though Whitney was, his own admissions convicted him of being one of the coldest and cruelest of all the Bluebeards.

Then there were the Kuhn-Loebs, the Dillon-Reeds, leaving a slimy trail of legalized burglary, rotten riggings of markets, and feculent odors of grand larceny that led from coast to coast and Gulf to Lakes, and smelled to high heaven.

An army of 5,000 is chasing Dillinger. Yet the Wall Street bandits still run at large, feeding on the hard-earned savings of honest American citizens. So the more stringent Government supervision made of the operations and dealings of these hijackers that much better the interests of the country generally will be served.

That any measure designed for this purpose will have the approval of the Wall Street interests is too ridiculous to be given serious consideration. The propaganda they have

loosed on the country is either motivated by abysmal ignorance or a pernicious desire to deceive a sorely punished but still gullible group of investors.

One deluded soul writes me that the present weakness in the market is directly attributable to the hearings on the Fletcher-Rayburn bill, and he further deposes and saith that "this weakness is insignificant in comparison with the general collapse that will occur once its passage is assured." He objects to the margins that this bill requires. Evidently he is one of the gamblers. Naturally, his gambling operations will be restricted, hence the spleen he displays in opposing this bill.

Here is the manager of one of the largest industrial corporations in the country, who writes me that this bill will give the Federal Trade Commission power to interfere with financing capital needs, thus preventing the extension of industry and the restoration of employment. He says that the portion of the bill dealing with the Federal Trade Commission's power to further regulate the management of all corporations is, in his judgment, "unnecessary" and "will seriously affect the interest of stockholders and greatly retard recovery." He thinks that no additional legislation covering corporations should be required, in view of the N.I.R.A. and the many other Federal statutes already on the books.

Now, the gentleman is wholly mistaken in his apprehensions. His vast industrial enterprise, which manufactures a necessary home, business, and industrial commodity, namely, hot-water and steam-heating plants, will not be jeopardized or penalized by the provisions of this bill. He is seeing bogey men. He is seeing ghosts in the dark, and I am sure, after the passage of this bill, he will sleep much better than he does now.

Here is a typical example of the inspired letters from employees. As this man sees it, "the bill will destroy the free and open market necessary for the determination of values." This, as we know it, is the gambling market. Then he goes on to state that its marginal requirements place the purchase of stock beyond reach of the ordinary individual. In my judgment, that is a strong feature of the bill. Let people who want stocks and securities buy them outright and stop gambling.

The most damnable gambling den, the most voracious gamblers, and the most craven despoilers of the common people are the grain racketeers on the Chicago Board of Trade. These fellows buy and sell daily millions of bushels of corn and wheat and oats and rye and barley that they never own or ever hope to own. Most of them would not recognize a good Ohio corn field if they met one in the middle of the road. Yet they still carry on their legalized poker game. Like the New York brokers they own the "kitty" or the slot in the top of the poker table where the rake off is dropped in for every hand that is played. Poker players will well understand what I am saying. Others may inquire.

But it is always the old army game of "heads I win, and tails you lose." Regardless of whether the markets go up or down, irrespective of whether the bulls have their day or the bears are on the offensive, the owners of the "kitty", the brokers who receive the commissions, count their share of the plunger each day the sun rises and sets.

I would go much farther if given the privilege of drafting this bill. I would make it a criminal offense to gamble or speculate in any of the food commodities of life or the clothing commodities of life, such as cotton.

Naturally all of the great trusts and monopolies, the tariff barons, the bond grabbers, and others fattening at the expense of the people are opposed to this bill. The question we have to decide is whether \$200,000 contributed by the eastern boodlers can corrupt an outraged public and influence the people's Congress. The answer is "no."

Shall the lamb put confidence in the wolf, and the fly accept the unctuous invitation of the spider to walk into his parlor. Never. We prefer to judge the future by the

past. We see the cloven hoofs beneath the angelic robes of these suave hypocrites. [Applause.]

[Here the gavel fell.]

Mr. RAYBURN. Mr. Chairman, I yield the remainder of my time to the gentleman from New York [Mr. STUDLEY].

Mr. STUDLEY. Mr. Chairman, Wall Street is in my district, so is Main Street. I must do justice to both.

Somebody ought to tell the truth about Wall Street.

Why wreak vengeance on Wall Street?

By passing this bill you will not reach the malefactors of great wealth whom you so zealously desire to punish.

Instead of reaching them, your wrath will fall impotently on an army of real-estate owners, of bookkeepers, clerks, stenographers, stockholders, and bondholders, who will be thrown out of employment, or who will fail to collect their incomes, and so you will add to the sum of human misery and unemployment.

When you want to get money to build your roads, pave your streets, lay out a city park, install waterworks, or build a levee, where do you go for it? To Wall Street.

Obligingly and courteously Wall Street underwrites your stock and bond issues. For three generations of America Wall Street has furnished the money to build your railroads and develop your country. Wall Street has paved your streets, built your highways, installed your waterworks and reservoirs, drained your swamps and lowlands, built your irrigation and levee systems, and financed the upbuilding and advancement of every municipality from Maine to Mexico.

Why not be fair with Wall Street?

When default comes in payment of interest and principal of these debts and Wall Street politely asks for the money past due, then Wall Street is Shylock! And Wall Street has been a heavy loser, too.

Now, this is not fair. It is not even decent.

It is what Europe told the United States after the war when we asked for payment of the debts.

I earnestly trust that this stock-market regulation law will not ultimately develop into just another noble experiment.

At the time of the enactment of the eighteenth amendment and the prohibition laws the Congress erred gravely in following the clamor of the people. The Congress should then have been able to apply restraint on a movement that had got out of control and was in a run-away. But the Congress did not apply restraint. Indeed, not! It yielded impotently to the lashings which were being then so vigorously administered by our constituencies. The people were then demanding that we smash the saloon. The cry was, "Down with the saloon!" "Smash the saloon!" The saloon was the personal devil on whose trail every man and woman was in hot pursuit.

We smashed it, too. It was the spirit of the times. It was a holy crusade.

The dries carried State after State with smashing majorities and voted dry amendments into State constitutions long before national prohibition came to pass. Since then we have seen the light. We have retraced our steps. There is no law greater than the people.

The innate desire for gain, to trade, to speculate, to try and make some money is as deep-seated in the human heart as is the human appetite.

It is as old as the human race itself. To control it is quite beyond the powers of an act of Congress. The Congress, with all its vast and far-reaching powers, is impotent to cope with such deep-seated human impulses, and its puny efforts to do so will result in disaster, as did that other noble experiment. We cannot break the economic laws. We shall only dash ourselves to pieces against them. Wall Street is now the personal devil on whose trail the country is in hot pursuit. The cry now is, "Down with Wall Street!" "Smash Wall Street!"

To scourge the money changers out of the temple is a fine piece of rhetoric; nothing more. That phrase has lost its virility and its meaning with the ages. It can't be done.

A few years ago a man was bent on destroying Wall Street. He would bring about its ruin even as Tyre and Sidon.

He exploded a huge bomb at the corner of Broad and Wall Streets.

The result was some panes of glass were broken in the New York Stock Exchange, and a famous banking house on that corner and many clerks, stenographers, and bookkeepers were blown to bits. But Wall Street remained.

Wall Street is just another name for the great business organizations and activities of the country. The torrents of commerce and trade not only of America but of the world go roaring through Wall Street. It is a market place, no more.

There may have been dishonest trading and practice in Wall Street. I know of no business that has always been found following the precepts of the Golden Rule.

Why destroy Wall Street? The only way to do it is to strike down the business structure of the country. Do you want to do that? It would be rash, it would be radical to do it. Don't strike down the business.

If the Congress does it more than a billion dollars worth of real estate south of Fulton Street in Manhattan alone will become unproductive and tenantless. More than a hundred thousand people in New York City would be thrown out of employment and into the bread lines. The business of the country would suffer irreparable injury and recovery would be indefinitely retarded. And Wall Street pays taxes.

In 1918 we would make it impossible for any person to get a drink of liquor. Did we do it? We did not.

In 1918 we would abolish the saloon. Did we do it? We did not.

Instead of the saloon came the speakeasy and the bootlegger. Appetite and long-established customs of our people made that law impotent. It was regarded everywhere as a joke.

The revenue that should have gone into our Treasury was dried up and diverted to speak-easy and bootleg channels, and was there used to finance racketeers, highjackers, robbers, and kidnapers. The most successful chain of crime the country has ever seen was financed by this folly of the Congress. But without customers there would have been no bootleggers.

Now, we are not legislating here to reach just a lot of bad boys who can be spanked and put into the corners and told to stay there. We are dealing with the most resolute and resourceful element of our people. We shall find the operators of Wall Street good sportsmen who will always be ready to pay a reasonable tax on its business. Give and take is their gospel. A mayor of New York once tried to put Wall Street in irons. But he did not. He failed.

The Congress will not be able to put Wall Street in irons. When we try to do that Wall Street will go to Canada, where they will be welcomed. Our most prolific source of revenue will be dried up and our business structure reduced to ashes; and again we shall find ourselves the victims of our own folly. Our people will continue to trade and speculate through bootleg channels and the act of Congress to put Wall Street in irons will be just another impotent gesture and of no avail. Then we shall retrace our steps in pathos and humiliation, as we have lately done with prohibition, and as we have done before a thousand, thousand times.

Laws are discovered, not made.

And presently the people will compel us to return to the political philosophy and the economics of Adam Smith and John Stuart Mill.

The doctrine and the practice of laissez-faire has not yet perished from the earth.

The CHAIRMAN. All time has expired. The Clerk will read the bill for amendment.

The Clerk read as follows:

Be it enacted, etc.,

SHORT TITLE

SECTION 1. This act may be cited as the "National Securities Exchange Act of 1934."

Mr. BRITTEN. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, one of the interesting features of the debate on this bill has been the denunciation of the first bill, or the first several bills, because of their severity. The distinguished gentleman from New York [Mr. WADSWORTH] detailed his many objections to the first bill, and the distinguished chairman of the committee himself, the gentleman from Texas [Mr. RAYBURN], than whom there is no more intelligent man in the House, also referred to the objections to the first bill. The chairman of the committee also referred to the lobby that was apparently objecting to the present bill.

Mr. Chairman, why would there not be a lobby? Why would there not be objections when there are 10,000,000 investors in the United States who are affected by this legislation, which in its original form was a monstrosity? That is the reason it has been rewritten, rewritten, and rewritten by the scarlet-fever boys down in the little red house in Georgetown.

Only day before yesterday, when the distinguished chairman was addressing the House, he paid compliment to his visitors in the gallery from the stock exchange. Today I pay compliment to my visitors in the gallery, the youthful legislative wizards from the little red house in Georgetown. They are here to assist in the passage of this important bill, in the drafting of which they have played such an important role. They wrote and rewrote the bills which have been subjected to such merciless criticism from every section of the country. Of course, they should be here following the action of the House on their pet legislative baby.

Everybody is for regulation of the stock market. Nobody would say otherwise; but under the guise of regulation of the stock market these gentlemen have written complicated and very intricate language which will control every industry in the United States directly or indirectly; and they will control it by rules. Are you gentlemen going to stand for that? Why, of course you are not.

You should not complain because a small number of 10,000,000 investors write us and say, "For God's sake protect my investment." Should we complain? Who has a better right? Each of us has received letters from all over the United States complaining about this bill. Through the operations of the provisions of this bill there can be destroyed if desired any industry in the United States by a rule, or a constantly changing set of rules from which there is practically no appeal.

I have been told that our young leader, Benjamin Victor Cohen, is now on the floor of the House. Why not let him stay? He wrote most of this legislation and should be permitted to remain on the floor during its deliberation.

Mr. RAYBURN. Mr. Chairman, will the gentleman yield?

Mr. BRITTEN. Yes.

Mr. RAYBURN. I think we might as well settle that now. I shall not object to the gentleman having more time. Frankly, I think the chairmen of committees in times past have been allowed to have an expert sit with them. It was done a year ago when the securities bill was passed. I know the gentleman from Illinois said he would not object.

Mr. MARTIN of Massachusetts. Mr. Chairman, I may say that in times past it has been customary for one of the legislative counsel only to assist during the consideration of a bill.

Mr. RAYBURN. The drafting service always sits in.

Mr. MARTIN of Massachusetts. He is not a regular drafting clerk, and he is not attached to the committee.

Mr. BRITTEN. I am sorry that I started all this, because I truly believe that no one on the floor understands this legislation as does the boyish Mr. Cohen.

Mr. RAYBURN. Now that the subject has been brought up, I desire to know whether there is objection?

Mr. MARTIN of Massachusetts. I am sure there will be objection on the part of four or five over on this side.

Mr. BRITTEN. I think the gentleman should be permitted to remain. May I state what occurred here some years ago?

Mr. RAYBURN. I do not think the members of the committee on the Republican side who are in sympathy with this legislation will object to Mr. Cohen's staying here.

Mr. BRITTEN. We had on the floor of the House several years ago a very complicated naval personnel bill. The bill was exceedingly complicated, and had been written by the personnel experts of the Navy Department who knew every word of it. I brought onto the floor a member of the Navy Department, Rear Admiral Latimer, to sit with the committee in order to advise with us. It was a Democratic House and a Democratic committee. The present Senator from Texas [Mr. CONNALLY] was seated right back here, and he objected to the man being on the floor of the House, and he was compelled to leave.

I told the chairman of the committee [Mr. RAYBURN] a while ago that I would have no objection to Mr. Cohen being on the floor. I think he ought to be here. The language in this bill is very complicated, and the chairman of the committee, one of the most industrious men in Congress or on Capitol Hill, cannot possibly comprehend all of the intricacies carried in this legislation, and for the benefit of the House someone who can interpret the language ought to be permitted to sit here on the floor. I hope the gentlemen on this side will not object to Mr. Cohen being permitted to stay here.

[Here the gavel fell.]

Mr. BRITTEN. Mr. Chairman, I ask unanimous consent that I may proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. BRITTEN. Mr. Chairman, the Rayburn bill for the regulation of securities exchanges which is being considered today was conceived in the little red house in Georgetown and borne to the Capitol on last Friday. It is the fifth and probably the last bill for the regimentation of the country's industries that will come from the youthful intellectuals who have framed most of the so-called "planned legislation" during the present session of Congress. While the popular demand for a rigid regulation of the stock markets is the smoke screen employed by the inexperienced directors of the Government, the real object of the bill is to Russianize everything worth while under the unqualified and unprepared Federal Trade Commission, an act that would make that Commission the most powerful and far-reaching arm of the Federal Government. It could dictate the conduct of officers, directors, and even stockholders of corporations; its requirement for balance sheets, monthly reports, and other accounting data would cost the Nation hundreds of millions of dollars a year, and for no particular purpose; it is given an indirect but very effective control over the investment of all capital by the industries, whether their outstanding securities are registered or not.

The scarlet-fever boys have written into the Rayburn bill an unusual section which in itself is in the nature of an argument for doing the unconstitutional things which the bill itself is intended to circumvent.

The popular demand for stock-exchange regulation has given the Prof. Felix Frankfurter cheer leaders a vehicle to control all credit and corporate practices such as not even Russia can boast of today. The boys in the little red house breathed easier when their child was finally deposited in the congressional hopper by Chairman RAYBURN.

I am told that Telford Taylor, a young and recent graduate from Harvard, now in the Interior Department, was the father of the very first Fletcher-Rayburn child, but it was soon kidnaped by Landis (F.T.C.) and Frankfurter (H.U.), who immediately proceeded with the advice of Pecora, Tommy Corcoran (R.F.C.), and Benjamin Cohen (P.W.A.), to put the finishing touches on what was intended to be the second child; too much vodka and too little cream made it too hot for even the red-letter boys, and it was again rewritten only to be drowned in the sea of publicity.

If the present unhappy child should be adopted by Congress, the Federal Trade Commission could restrict the operation of almost every industry in the United States and

could regulate it out of existence by the control of credit and other restrictions without having to give its reasons for doing so. Lenin and Trotsky never envisioned such far-reaching possibilities for strangulation.

Mr. BULWINKLE. Will the gentleman yield?

Mr. BRITTEN. I yield to the gentleman from North Carolina.

Mr. BULWINKLE. Has the gentleman read the hearings?

Mr. BRITTEN. How many pages are there to the hearings?

Mr. BULWINKLE. Just the first part.

Mr. BRITTEN. No; there are about 1,500 pages. I have read the report and I have read the bill.

Mr. BULWINKLE. If the gentleman will read the hearings he will see, in about the first 10 or 11 pages, I think, of the hearings, the information as to who wrote the first bill. I asked the question myself, and it was not written by any young man just out of Harvard.

Mr. BRITTEN. But the gentleman never saw the first bill. He only saw the second bill.

Mr. BULWINKLE. I saw the first bill.

Mr. BRITTEN. I congratulate him upon his initiative and energy. He is a most valuable Member of the House.

May I proceed further? When the chairman of this very important committee took the floor the other day, followed by the gentleman from New York [Mr. WADSWORTH], the speeches of those two gentlemen cost the investment holders of the United States more than \$100,000,000 in depreciation that afternoon. Fifteen important stocks reached a new low level that day, and the same situation followed the next day, and they are doing it again today.

The people of the country are desperately afraid of any legislation that may emanate from the little red house in Georgetown, and rightfully so. They are afraid of any commission, particularly the Federal Trade Commission, because it will be dominated by someone who has no kindly interest in the stock exchange. The people know that, and that is what they are afraid of. A man who by rule or regulation can put the industries out of business overnight if he wants to should be a very carefully selected individual. That is the reason the people are afraid, and the complaints that have been received by Members on both sides of the aisle have not come from stockbrokers. They have come from investors who want their little investment protected, and God knows they have been scaled down enough in the last 3 or 4 years, many of them with a few shares of stock in some excellent corporation. The people are concerned about this Commission, and they do not want on that Commission a man who has lost a lot of money in the last 3 or 4 years and who has publicly said he would put the stock market out of commission if he could.

Mr. PETTINGILL. Will the gentleman mention his name?

Mr. BRITTEN. Let us not get into personalities. I never have on the floor.

Mr. O'CONNOR. Will the gentleman tell me his name?

Mr. BRITTEN. I will tell the gentleman in the cloak-room; yes.

The second section of the bill should be taken out entirely, because it is an argument for a violation of the Constitution. It is not necessary to be in the bill. The argument takes up several pages telling why this legislation is necessary. I have never heard of such a thing in a piece of legislation.

[Here the gavel fell.]

Mr. BLANTON. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, the gentleman from Illinois ought to know all about what goes on in the little red house that has been conjured up in his brain recently, because I do not think that he will deny that he has a Republican constituent who resides there.

Mr. BRITTEN. If I have a Republican constituent who resides there, I do not know it. Will the gentleman give me his name?

Mr. BLANTON. The one I have in mind is Mr. Charles Stewart Guthrie, whom I am informed is a Republican, and he hails from Chicago, and he sojourns in the little red house in Georgetown, which has preyed so heavily upon the mind of our good friend from Chicago recently. I took it for granted that our friend knows all about what goes on there. The gentleman is not as well versed as I thought.

Mr. BRITTEN. I have never been invited to the little red house in Georgetown. It is the seat of much so-called "planned legislation."

Mr. BLANTON. The gentleman is not as well informed as I thought he was, but I think he is the last man on earth who ought to complain about any chairman of a committee having the assistance of experts at the table during the consideration of the bill. All the time he was chairman of the Naval Affairs Committee every bill he brought in here was written by some admiral down in the Navy Department [laughter], and he had to have a bevy of admirals up in the gallery every time he brought a measure up for consideration. He is well versed in that.

Mr. BRITTEN. Will the gentleman yield for a question?

Mr. BLANTON. In just a moment.

Mr. BRITTEN. I want to correct the gentleman.

Mr. BLANTON. I am sorry, but I do not want to take more than 5 minutes.

The gentleman is continually talking about the "brain trust" helping to write bills. I wonder if the gentleman has ever thought about the advisability of getting some "brain truster" to help him make a speech here on the floor of the House. [Laughter.] Talking about the chairman of this committee, there is not a more experienced legislator in this House than my colleague from Texas, SAM RAYBURN. He has presided as speaker over the house of representatives of his own State, that could swallow both Illinois and Chicago without suffering indigestion. He knows as much about legislating, I guess, as any man in this Congress. He can write a bill himself if he wants to. We who want bills properly written do not have somebody on the outside write them. Committees go to the legislative drafting service and tell them exactly what they want to put in the legislation, and they have that service prepare the measure in proper legislative form to bring on the floor of the House so it will be in proper order.

There is not a more brilliant mind in this House, even though I have disagreed with him on one or two subjects, than the gentleman from New York, Dr. SIROVICH; and even when he brings in a bill, he possibly got Dr. Copeland and Dr. Tugwell to help write it for him. [Laughter.]

Mr. SIROVICH. I appreciate the implied compliment paid to me by my militant and aggressive friend and colleague from Texas, TOM BLANTON. However, let me advise the courageous crusader from the Lone Star State that all the world loves a fighter, particularly if he is fighting for an ideal, for a principle, for justice, and for liberty. Whenever you are speaking on the floor of this House, your constituency can rest assured that you are battling for one of these ideals.

For the past 8 years it has been my privilege to differ with you in many matters of public interest. Our difference has been on subjects on which any honorable men might disagree. However, in all of our controversies and conflicting disagreements the honorable gentleman has been uniformly gracious, sympathetic, and just.

However, I want to make a very vigorous and strenuous objection to one of his remarks just made.

I have always drafted my own bills. I have never availed myself of the legislative drafting department of Congress to prepare my bills but have uniformly written every bill that I have introduced in the Congress of the United States.

My food and drug bill (H.R. 7426), which I elaborated, perfected, and developed, is the product of my own thoughts and, outside of my secretary, I have had no cooperation from any outside agency. My bill differs completely from the Tugwell-Copeland bill in principle, in language, and in construction, and in the ideals I would like to see achieved. My bill would eliminate any ingredients that are deleterious

and poisonous in food, drugs, beverages, or cosmetics that would be likely to prove harmful or injurious to the average human system when used internally or applied externally.

I think it is the duty of the gentleman from Texas, knowing that he wants to be fair, to have his erroneous impressions corrected. My bill is as different from the Tugwell-Copeland bill as is my personality from that of TOM BLANTON, of Texas. With this explanation, TOM BLANTON, we can again meet upon the level and part upon the square.

Mr. BLANTON. I was joking my friend about Drs. Tugwell and Copeland.

Mr. SIROVICH. Will the gentleman yield?

Mr. BLANTON. I yield.

Mr. SIROVICH. I do not know anyone for whom I personally entertain greater admiration and respect than the gentleman from Texas [Mr. BLANTON]. I have differed with the gentleman over and over again, but I admire his sincerity and courage, but sometimes he does me an injustice. I have written my own bill and have been up until 2 o'clock in the morning for 7 weeks drafting the food and drug bill to which the gentleman refers.

Mr. BLANTON. My friend knows that I am unalterably opposed to the so-called "Tugwell bill", and I was merely joking when I referred to his bill. We, of course, all know that the gentleman from New York [Mr. SIROVICH] wrote his own bill, and so did the Committee on Interstate and Foreign Commerce write its bill.

Mr. SIROVICH. Will the gentleman yield?

Mr. BLANTON. No; I am sorry.

Mr. SIROVICH. The gentleman always likes to be corrected and I know the gentleman wants to be fair.

Mr. BLANTON. Very well; go ahead.

Mr. SIROVICH. I want the gentleman to know there is absolutely no similarity between the Tugwell-Copeland bill and the Dr. Sirovich bill.

Mr. BLANTON. I am glad to hear it, because if they were alike, there would not be a chance on earth for you to pass your bill.

[Here the gavel fell.]

Mr. BLANTON. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

Mr. BRITTEN. Mr. Chairman, I ask unanimous consent that the gentleman may be given 5 additional minutes. I may want to ask him a question.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. BLANTON. What is the question? I am ready to answer it.

Mr. BRITTEN. I may ask it a little later.

Mr. BLANTON. I have an answer for you before you ask it. The gentleman from Illinois [Mr. BRITTEN] recently has been obsessed with two very decided vagaries of mind. One is that he has been bothering about a little red house in Georgetown, and the other is that he thinks it is up to him, out of all the people on the face of the globe, every day to get up here and twist the lion's tail. Why, a very prominent newspaper service in a report of yesterday spelled his name "Mr. B-r-i-t-a-i-n." [Laughter.]

Mr. BRITTEN. Mr. Chairman, will the gentleman yield for a question?

Mr. BLANTON. I yield.

Mr. BRITTEN. Is the gentleman referring to an Associated Press report from England, where they said that Congressman "Britain" had requested the recall of their consul general?

Mr. BLANTON. Yes.

Mr. BRITTEN. Well, I am going to bring suit against Great Britain for that libel. That is not the way I spell my name. [Laughter.]

Mr. BLANTON. I want to say that you could collect your money if you got judgment, because Great Britain is good for her debts, and I still maintain she is going to pay us. She is not going to pay the gentleman from Illinois because he is not going to prevail in any libel suit. I think they would probably reconvene against the gentleman from

Illinois in that suit and claim damages for using the name of Great Britain when he is not entitled to do it. [Laughter.] [Here the gavel fell.]

The CHAIRMAN. Without objection, the pro forma amendment will be withdrawn and the Clerk will read.

The Clerk read as follows:

NECESSITY FOR REGULATION AS PROVIDED IN THIS ACT

SEC. 2. For the reasons hereinafter enumerated, transactions in securities as commonly conducted upon securities exchanges and over-the-counter markets are affected with a national public interest which makes it necessary to provide for regulation and control of such transactions and of practices and matters related thereto, including transactions by officers, directors, and principal security holders, to require appropriate reports, and to impose requirements necessary to make such regulation and control reasonably complete and effective, in order to protect interstate commerce, the national credit, the Federal taxing power, to protect and make more effective the national banking and Federal Reserve System, and to insure the maintenance of fair and honest markets in such transactions:

(1) Such transactions (a) are carried on in large volume by the public generally and in large part originate outside the States in which the exchanges and over-the-counter markets are located and/or are effected by means of the mails and instrumentalities of interstate commerce; (b) constitute an important part of the current of interstate commerce; (c) involve in large part the securities of issuers engaged in interstate commerce; (d) involve the use of credit, directly affect the financing of trade, industry, and transportation in interstate commerce, and directly affect and influence the volume of interstate commerce; and affect the national credit.

(2) The prices established and offered in such transactions are generally disseminated and quoted throughout the United States and foreign countries as a basis for determining and establishing the prices at which securities are bought and sold, the amount of certain taxes owing to the United States and to the several States by owners, buyers, and sellers of securities, and the value of collateral for bank loans.

(3) Frequently the prices of securities on such exchanges and markets are susceptible to manipulation and control, and the dissemination of such prices gives rise to excessive speculation, resulting in sudden and unreasonable fluctuations in the prices of securities which (a) cause alternately unreasonable expansion and unreasonable contraction of the volume of credit available for trade, transportation, and industry in interstate commerce, (b) hinder the proper appraisal of the value of securities and thus prevent a fair calculation of taxes owing to the United States and to the several States by owners, buyers, and sellers of securities, and (c) prevent the fair valuation of collateral for bank loans and/or obstruct the effective operation of the national banking and Federal Reserve Systems.

(4) National emergencies, which produce wide-spread unemployment and the dislocation of trade, transportation, and industry, and which burden interstate commerce and adversely affect the general welfare, are precipitated, intensified, and prolonged by manipulation and sudden and unreasonable fluctuations of security prices and by excessive speculation on such exchanges and markets, and to meet such emergencies the Federal Government is put to such great expense as to burden the national credit.

Mr. BRITTEN. Mr. Chairman, I move to strike out the last word, and I do so for the purpose of asking the attention of the gentleman from North Carolina [Mr. BULWINKLE]. I should like to say a little more about his proposed amendment for a stock-exchange commission rather than to have the industries and the stock exchanges and everything else controlled by a rule under the Federal Trade Commission. There are many Members on both sides of the aisle who feel as I do—not necessarily as to details, but along that line—and I am wondering if when the gentleman from North Carolina presents his amendment he will do so so that Members on this side can go along with him. Will he provide for a commission composed of 1 member to be recommended by the Federal Trade Commission, 1 member recommended by the Treasury Department, 1 recommended by the Federal Reserve Board, 1 by the Department of Commerce, because of these great regulations of industry under rule and not under law, and the other by the New York Stock Exchange, because of the intricacies of the manipulation of the stock exchange? There may also be one man representing the public.

Mr. BULWINKLE. Mr. Chairman, will the gentleman yield?

Mr. BRITTEN. Yes.

Mr. BULWINKLE. The gentleman evidently does not want the President to name anyone.

Mr. BRITTEN. Oh, the President will name all of them. Each department will make the recommendation to the President.

Mr. BULWINKLE. I again tell the gentleman that I am not going to offer any amendment of that kind. I am going to offer an amendment that the President appoint three men by and with the advice and consent of the Senate. I do not intend to attempt to tie the hands of the President as to whom he shall name at any time or upon whose recommendation he shall name him. The gentleman knows full well that the President of the United States can be trusted to name the proper man at any time on any commission.

Mr. BRITTEN. If the President of the United States had 25 heads and 25 bodies I would trust him any place, but I have no confidence in the men surrounding the President. They are the ones who have thrown this great fear into the populace of the United States.

Mr. BULWINKLE. Oh, the gentleman is just talking for the RECORD.

Mr. BRITTEN. I am not talking for the RECORD; I am talking to the House.

Mr. BULWINKLE. The gentleman does not mean that at all.

Mr. BRITTEN. There are whisperings in the gentleman's cloakroom and in mine, and there are whisperings all over the United States about the radical element surrounding the President of the United States. Everyone has confidence in the President, but mostly everyone has no confidence in the men surrounding him, and that is the reason I make this suggestion.

Mr. BULWINKLE. Oh, I spend a great deal of my time in the cloakroom, and I have not heard any whisperings like that over here. I cannot tell what the gentleman might do when he gets in his own cloakroom, but I am quite sure that he never listens. I guarantee that.

Mr. TRUAX. Mr. Chairman, will the gentleman yield?

Mr. BRITTEN. I was about to reply to the gentleman from North Carolina, but I yield to the gentleman from Ohio for a question, but not a speech.

Mr. TRUAX. This will be a question. The gentleman says there is lack of confidence everywhere. Does he find that the people who show the lack of confidence are returning to a confidence in the administration that preceded this one?

Mr. BRITTEN. On the contrary, I find they are going downhill so fast away from this administration that you gentlemen are seriously concerned about it.

Mr. TRUAX. I say that we are not radical enough.

Mr. PETTENGILL. How does the gentleman explain the registration in the gentleman's own State about 3 weeks ago?

Mr. BRITTEN. Will the gentleman allow me to answer the gentleman, please? Then I shall yield. The fact of the matter is that the distinguished leaders on the Democratic side of the aisle are every day admitting they are going to lose 60 seats in the next House, and I maintain that they will lose 106, not 60. That is how fast the people of the country are running away from the present administration.

Mr. BULWINKLE. And the gentleman's imagination is running away with him this afternoon.

Mr. BRITTEN. I shall try to hold my imagination down.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. FISH. Mr. Chairman, I rise in opposition to the pro forma amendment. I think the gentleman from North Carolina [Mr. BULWINKLE] is correct. I believe, if these appointments to a super agency or commission are to be made, that they should be made directly by the President of the United States. I am sure that he is able and competent to name men well qualified to handle the stock exchange regulations as provided in this bill. The responsibility for this legislation rests with the President and he should have more interest in its proper administration than any other person. He can unquestionably be relied on to select individuals of ability and with special knowledge of market operations and of the New York Stock Exchange. I believe there are many on this side who will support such an amendment giving the President that power, because the Federal Trade Commission already is overburdened with

investigations and regulations of thousands of corporations throughout the United States.

The stock exchange is a technical organization. It is a special organization. It requires men versed in that kind of organization and in that kind of work to efficiently administer a stock-exchange-regulation bill.

Some of the older Members of the House will remember 12 or 14 years ago when the Committee on Interstate and Foreign Commerce had control of drafting veterans' relief legislation in this House. There is no more competent committee in the House than the Committee on Interstate and Foreign Commerce today, nor has there been in the last 14 years since I have been a Member of the House, but it could not write veterans' relief legislation in view of all their other legislative duties. It was overburdened with its own work having to do with railroads, corporations, and interstate and foreign commerce. The committee did not have the time to give to holding hearings and framing veterans' relief legislation. The first thing I did, I think, when I came to Congress was to try to get out a little bill from that committee to increase the pay and compensation for an attendant of a blind soldier from \$20 to \$40 per month. It must be self-evident that you could not hire anybody as an attendant to a blind veteran for \$20, yet it took over a year to get action from that committee.

It took a personal controversy between the then chairman of the committee, Mr. Winslow, a very distinguished and good friend of mine, and myself, over this bill, with the result that it became perfectly evident to every Member of the House, Democrat and Republican, that the Committee on Interstate and Foreign Commerce could not give proper and adequate time to writing veterans' relief legislation. The result was that both Democrats and Republicans combined in organizing a new and separate committee. The same principle is involved today. The Federal Trade Commission is like the Committee on Interstate and Foreign Commerce, it is burdened with its work and we should set up a separate committee composed of experts chosen and appointed by the President of the United States.

Mr. COX. Will the gentleman yield?

Mr. FISH. I yield.

Mr. COX. Due to the close relationship that exists between the pending legislation and the Securities Act, does not the gentleman think that both laws should be administered by the same agency, and does the gentleman not also think that because of the experience which the Federal Trade Commission has had in the administration of the Securities Act and because of the organization it has already built up, if the administration of the pending law should be given to the Commission it could more quickly begin to function effectively, than would be the case in the setting up of a new commission?

Mr. FISH. My answer to the distinguished gentleman, who has presented a very logical case, is this: In the first place, the Federal Trade Commission has utterly failed in the administration of the Securities Act. That act has done more to hamper legitimate and honest business in the United States than anything else and to retard recovery.

Mr. COX. But is not that the unsupported statement of the gentleman?

Mr. FISH. No. No. The Federal Trade Commission has certain powers provided by the Congress of the United States to change the regulations under the Securities Act, and it has failed to do so. It has failed because it has not had time to properly consider the unworkable provisions of the Securities Act, as it has so many other matters to attend to. If I had my way we would liberalize the Securities Act before Congress adjourned and turn it over to a brandnew commission and put both the regulation of the stock exchange and the control of securities under this new agency, to be established by Congress and whose members will be appointed by the President.

[Here the gavel fell.]

Mr. FISH. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. COCHRAN of Missouri. Will the gentleman yield?

Mr. FISH. I yield.

Mr. COCHRAN of Missouri. Would the gentleman have any objection to enlarging the Federal Trade Commission by three members?

Mr. FISH. Now, that is what it is proposed to do. That is exactly what would happen if we enlarged the Committee on Interstate and Foreign Commerce in the House. You would not get any better results. The committee has to meet together. It has to consider other legislation, and it would not accomplish what you are trying to do. I know the Democratic majority can do what it wants to do, because you have the votes. I know in the Senate a special agency or a special commission is proposed, but if the gentleman from North Carolina [Mr. BULWINKLE], a member of the House committee, presents his amendment for a separate agency, I hope there will be plenty of time to discuss it on its merits, and I hope Members will vote on it on its merits, regardless of any kind of partisanship, because there should be no partisanship in it.

I even go further than my distinguished colleague from Illinois [Mr. BRETTEN] about the original bill. The gentleman called it a monstrosity. I call it an abomination of desolation, written by the junior members of the "brain trust." It was nothing but a brain storm of a few young radical lawyers including Mr. Ben Cohen and Thomas Corcoran, aided and abetted by Prof. James M. Landis, Federal Trade Commissioner, and Prof. Felix Frankfurter, of Harvard. Thank goodness we have got a committee in this House and a very able chairman of that committee that took hold of the original destructive proposals that would have hampered and ruined legitimate business, and wrote a constructive measure in the interest of the public. [Applause.] There is no question but that the purposes of this bill are to protect the investors, to prevent manipulation of stocks and pool operations, and to prevent destructive and excessive speculation with its disastrous consequences, all of which are sound and in the public interest. The question is whether in some particulars the proposed bill has not gone too far in conferring power to regulate corporations that are only remotely connected with the stock exchange and restricting industry unnecessarily.

There is one statement of the gentleman who is the chairman of the committee, reported in the public press, which I think is unfortunate. It probably was not meant that way, but it was carried in the press that he said he would brand any and all amendments offered on the floor as of Wall Street origin.

Mr. RAYBURN. If the gentleman will yield, I did not say any such thing.

Mr. FISH. I knew the gentleman did not say it, and I am very glad to hear him say so, because that statement could not have come from the gentleman from Texas.

Mr. RAYBURN. I said when the stock-exchange amendments came I was going to so brand them.

Mr. FISH. Oh, that is different. Unfortunately, the gentleman is misquoted in an editorial in the New York Tribune.

Mr. RAYBURN. I have usually been misquoted about this bill.

Mr. FISH. So, then, we can understand that when the gentleman from North Carolina [Mr. BULWINKLE] presents his amendment for a separate agency it will not be designated as originating from Wall Street, and will therefore be considered on its merits, whether it will improve the bill or not?

Mr. RAYBURN. I may say to the gentleman from New York that the first suggestion of a separate commission was made by Mr. Whitney.

Mr. FISH. After all, who knows more about the stock exchange than the president of the stock exchange?

I am inclined to vote for this bill. I believe some kind of regulation is wise, sound, and necessary. This bill is not perfect; no legislation is perfect; neither are you and I perfect.

We hope, however, to have the time and the opportunity to discuss the amendments on their merits and to try to improve the bill in the House, and maybe it will be im-

proved in the Senate and that together we shall work out a sound and workable bill. Is it to be held against Mr. Whitney because he, the president of the stock exchange, made some suggestion? Is his suggestion to be thrown aside as though it were a selfish suggestion? I have known Mr. Whitney for 25 years. I went to college with him; and I know him to be an honorable, honest, and an upright man, and just as good a citizen as any Member of this House.

Mr. COX. Mr. Chairman, will the gentleman yield?

Mr. FISH. I yield.

Mr. COX. Does not the gentleman know also that the stock exchange under the directorship of Mr. Whitney resisted this movement for regulation to the point where they saw that resistance was useless, and then they tried to bargain for the best terms they could get?

[Here the gavel fell.]

Mr. FISH. Mr. Chairman, I ask unanimous consent to proceed for 4 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. BULWINKLE. Mr. Chairman, if the gentleman from New York will yield, I want to say to the gentleman from Georgia, in the interest of absolute justice, that I hold no brief for Mr. Whitney or anybody on the stock exchange.

Not a single member of any stock exchange anywhere in the United States objected to regulation of the exchanges. That is the first proposition.

Mr. COX. Does the gentleman mean to tell the members of this committee that any member of the different exchanges who appeared before the Committee on Interstate and Foreign Commerce did not resist the proposal to write into the legislation the provisions contained in this bill?

Mr. BULWINKLE. Not a single gentleman from anywhere in the United States, from San Francisco to Boston, who came before the committee representing stock exchanges objected to regulation.

Mr. COX. They may not have objected to regulation but did they not specifically object to the provisions of this bill as it now stands?

Mr. BULWINKLE. I may say to the gentleman from Georgia in addition to what I have said, that the pending bill was reported only last week and neither Mr. Whitney nor anyone else anywhere in the United States saw the present bill.

Mr. COX. That is, of course, true; and the present bill is different from the original bill, but there is not a single thing in the present bill they have seen; so we do not know what their reaction to it will be.

Mr. FISH. Mr. Chairman, I cannot yield further.

Mr. Chairman, I did not rise to defend the New York Stock Exchange. I admit there are evils and abuses practiced on the stock exchange, and it should have remedied those abuses and evils itself. It should have cleaned its own Augean stables years ago. At least, let me say it was not the stock exchange which caused the disastrous inflation and its ruinous consequences, it was the American people themselves who went money mad. The stock exchange is nothing but the machinery by which the people can buy and sell stocks and bonds. The American people, however, back in 1929, went money mad; they wanted to become rich overnight and indulged in a veritable orgy, not only of extravagance and waste but of gambling and speculation. If there are any guilty people in this country, it is the American public led on by the big international bankers; not by the stock exchange, but by the big international bankers with their security affiliates. They are the people who led us on, encouraged and urged us to buy foreign bonds and a lot of worthless securities. They are the people who, after the inflation collapsed, said that the wages of the American laborers must be reduced, that the compensation of the veterans must be sliced, and that the civil-service employees in the city of New York must have their pay cut.

Mr. Mitchell and Mr. Wiggins, if you want to blame anybody by name, are the ones responsible more than anyone else. They kept telling the Congress in 1929 to keep its

hands off business and not to interfere with business, that they knew what was best for the public; and we, I am ashamed to say, listened to them, while they continued to mulct the public and even ruin their own depositors and stockholders. The individual members of the stock exchange are simply in business to handle transactions in stocks and bonds listed on the exchange. I do not think it is fair for any Member to attack either Mr. Whitney or any other member of the stock exchange for transacting legitimate business. If we speculate and lose, we must expect to pay the piper and not blame anyone except ourselves.

I believe in proper regulation. I expect to vote for the bill; but at the same time I do not believe it is fair to try and place the responsibility for the depression upon the New York Stock Exchange. It serves a useful and much-needed purpose of providing capital through selling stocks and bonds of industrial corporations in order to furnish the money for the pay rolls to keep the wheels of industry turning. Private enterprise is in more need of credit and floating stock and bond issues than ever before.

[Here the gavel fell.]

Mr. LEE of Missouri. Mr. Chairman, I rise in opposition to the motion.

Mr. Chairman, it is always amusing to hear the gentleman from New York. He is always ready to apologize for somebody who lives in his State; and he is always ready to jump on the Federal Trade Commission. Never in the history of the world has there been created a commission more worthy than the Federal Trade Commission of the United States. It is the Commission which found that the utilities of this country were putting their poison in the public schools of our country; that the utilities had bought up college professors and put their poison in the colleges, had taken out textbooks which taught the children both sides of the question of public versus private ownership and allowed the child to reach its own conclusions. It is they who bribed the school boards.

They had bribed college professors, and they put this poison in the schools and colleges of our country. The gentleman from New York gets up and denounces the Trade Commission that caught these thieves red-handed doing this to the American school children of our country.

Mr. TRUAX. Will the gentleman yield?

Mr. LEE of Missouri. I yield to the gentleman from Ohio.

Mr. TRUAX. Out in my country they always say that it is the hit dog that yelps the loudest. Someone here this afternoon—I am not sure whether it was the gentleman from Missouri or the gentleman from New York—said that this bill was a monstrosity of desolation. It is desolation for the crooks and the robbers down there who have plundered, pillaged, and sacked this country for 12 years.

Mr. LEE of Missouri. Surely, and they want to continue to do that. The Cities Service Co. took \$1,100,000,000 of the money of this country, the money of the little school teachers, the widows, and orphans. There is not a World War veteran or dependent of a World War veteran in the United States that they did not invade the home of and take his savings away from him. That is not the worst they did. After they had robbed everybody in this country that they could rob, they invaded the pockets of their own employees, had them mortgage their homes, and took their homes. Talk to me about regulating the stock exchange. The gentleman says Mr. Whitney had nothing to do with the matter. The gentleman from North Carolina got very excited about that. I do not say that Mr. Whitney did, but I ask who is paying for the telegrams and letters that every Member of the House has received in opposition to the bill? Who is putting up the money?

Mr. BULWINKLE. Does the gentleman mean to tell me he has received thousands of telegrams?

Mr. LEE of Missouri. I am telling the gentleman I have received hundreds of them.

Mr. BULWINKLE. I want to find out how many such telegrams and letters the gentleman has received.

Mr. COX. Will the gentleman yield?

Mr. LEE of Missouri. Permit me to reply to the gentleman from North Carolina first.

Mr. BULWINKLE. Will the gentlemen tell me how many he has received?

Mr. LEE of Missouri. I could not tell you, but I can get them over in my office. I will say that I have received 10 times as many as the gentleman from North Carolina has because they did not need to telegraph him. They knew he was all right already. [Laughter and applause.]

Mr. BULWINKLE. Yes; because they knew I would be absolutely fair and just, that is the reason.

Mr. LEE of Missouri. They were afraid that I would not be, because some of my people have been robbed by them.

Mr. BULWINKLE. Name a single person in your district that has been robbed?

Mr. LEE of Missouri. Oh, yes; hundreds of them have been robbed. The gentleman better not run for Congress in my district and make that statement.

Mr. BULWINKLE. Then name one in your district.

Mr. LEE of Missouri. They would not send the gentleman from North Carolina letters or telegrams anyway, as they know you are sympathetic. [Applause.]

[Here the gavel fell.]

Mr. MAPES. Mr. Chairman, I move to strike out the last three words.

Mr. Chairman, I attempted to say a word during the colloquy when the gentleman from Illinois was speaking at the time the question came up about Mr. Cohen's being on the floor.

The chairman of the committee, the gentleman from Texas [Mr. RAYBURN], came over on this side of the aisle at a moment when the ranking Republican member happened to be off the floor before the close of general debate and stated that he was looking for the gentleman from Ohio. He spoke about the advisability of asking Mr. Cohen to come on the floor, and I said that as far as I was concerned I had no objection. I thought, Mr. Chairman, that I should like to make that statement.

Mr. BANKHEAD. Will the gentleman yield?

Mr. MAPES. I yield to the gentleman from Alabama.

Mr. BANKHEAD. The gentleman from Illinois [Mr. BRITTEN] in the course of his remarks this afternoon made the broad statement that every word in the bill now pending before the committee for its consideration was written by some gentleman from Harvard that he named. The gentleman from Michigan is a distinguished minority member of this committee. May I ask him upon his responsibility as a member of that committee, after the long and arduous time that the committee, the subcommittee, and full committee have devoted to the consideration of this bill, whether or not there was any justification for the statement made by the gentleman from Illinois [Mr. BRITTEN]?

Mr. BRITTEN. If I might answer the gentleman.

Mr. BANKHEAD. No. I am asking the gentleman from Michigan.

Mr. MAPES. I wanted to supplement what I said before with the further statement that for myself I think it would be perfectly proper to have Mr. Cohen assist the chairman of the committee during the consideration of this bill. May I say in answer to the gentleman from Alabama that I have no personal information as to who prepared the first draft. As far as the final draft of the bill is concerned, it is the work of the Committee on Interstate and Foreign Commerce and not the work of anyone else. [Applause.]

Mr. MARTIN of Massachusetts. Mr. Chairman, I move to strike out the last four words.

Mr. Chairman, the objection to Mr. Cohen's being allowed on the floor was because to do so would be a plain violation of the rules. This is not the first time the question as to who is eligible to remain on the floor has come up, and in the previous instance the gentleman was obliged to withdraw. The rule of the House is very plain and says:

Only clerks of committees when business from their committee is under consideration may be present, and it shall not be in order for the Speaker to entertain a request for the suspension of this rule or to present from the Chair the request of any Member by unanimous consent.

The rule further states in reference to heads of departments that it means members of the President's Cabinet, and specifically says subordinate executive officers are denied the floor.

It is very clear from the reading of this rule it is not the purpose of the House to permit those who are not eligible to the floor to come in here, and personally I think it would be a very poor policy to violate the rule. For that reason I registered my objection. If the rule were once lapsed, there might continually arise controversies as to who should be permitted on the floor.

Mr. RAYBURN. Will the gentleman yield?

Mr. MARTIN of Massachusetts. I yield to the gentleman from Texas.

Mr. RAYBURN. I understand on very reliable authority that there was a representative from the Treasury Department here yesterday during the consideration of the tariff amendment. There has never been a tariff bill considered in this House when a gentleman of the Treasury Department was not present, and this gentleman I am speaking of is an employee of the Government.

Mr. MARTIN of Massachusetts. If the gentleman will refresh his memory, he will find that the last time the Ways and Means Committee presented a tariff bill—at this session, to be exact—an objection was raised and an employee of the Tariff Commission, who did not have the right to be on the floor, was obliged to withdraw. I know nothing about the incident of yesterday. I was not aware of the presence of anyone who was not entitled to the privilege of the floor being here, but certainly the rule is express, and I believe it should be obeyed.

Mr. BRITTEN. Mr. Chairman, this rule resolves itself around the definition of the word "clerk." In this instance Mr. Cohen and Mr. Corcoran have been in constant attendance at the committee hearings, both executive and public, and this might qualify both of them as clerks of the committee. It is a fact, I am told by members of the committee, that in all executive sessions Mr. Cohen sat in.

Mr. RAYBURN, Mr. PETTENGILL, and Mr. MILLIGAN rose.

Mr. RAYBURN. What member of the committee told the gentleman that?

The CHAIRMAN. Does the gentleman from Massachusetts yield; and if so, to whom?

Mr. McFARLANE. Mr. Chairman, I make the point of order that the gentleman from "Chicago" is out of order.

Mr. MARTIN of Massachusetts. Mr. Chairman, I yield back the balance of my time.

Mr. PETTENGILL. Mr. Chairman, I rise to a question of the privilege of the House with respect to the remarks just made by the gentleman from Illinois [Mr. BRITTEN], and I ask to have the words taken down.

Mr. BRITTEN. There can be no objection to my words, as I see it. I shall be glad to have them taken down.

Mr. McFARLANE demanded the regular order.

Mr. BRITTEN. I am answering the gentleman in regular order.

Mr. O'CONNOR. The gentleman cannot take the floor when a request is made that his words be taken down. The gentleman has to take his seat and wait the action of the House.

Mr. FISH. I hope the gentleman will not insist upon that.

Mr. PETTENGILL. Mr. Chairman, if the gentleman is willing to withdraw his remarks from the Record, well and good, but the gentleman made the statement that during the executive sessions of our committee Mr. Cohen "sat there and practically wrote the bill." This is a reflection upon every member of our committee, including the Republican members of the committee.

Mr. BRITTEN. Mr. Chairman, if in my remarks there is the slightest suggestion reflecting on the intelligence of this great committee, of course I shall withdraw it, and I ask unanimous consent that my remarks may be revised so as to merely say that he sat in the committee during the executive sessions, which, of course, he did.

Mr. PETTENGILL. That is correct.

Mr. BRITTEN. That is all I care to say.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois [Mr. BRITTEN]?

There was no objection.

Mr. COOPER of Ohio. Mr. Chairman, I ask unanimous consent to proceed for 1 minute.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. COOPER of Ohio. Mr. Chairman, there is no one except the members of the Committee on Interstate and Foreign Commerce who knows how hard we have worked on this measure for the last 8 or 9 weeks. I know the chairman of the committee has devoted his services day and night to this very difficult piece of legislation; and during all the sessions of the committee partisan politics never entered into our deliberations at any time. There was no partisanship in the committee whatever.

This is one of the most important measures this Congress has had to consider, and it is too important a bill to be made a football of partisan politics. During the last hour partisan politics has crept into the discussion of the measure, and I sincerely hope that the Membership of the House will help to expedite the consideration of the bill. We have got to consider it; and whether we approve everything in the bill or not, we ought to conduct its consideration in a fair and deliberate manner. [Applause.]

Mr. FULMER. Mr. Chairman and gentlemen of the Committee, it is a common practice of late, on the part of some of the so-called "leaders" of the House, as well as various heads of departments, when a Member of Congress would use a little common sense and his own judgment in passing upon the merits of legislation submitted to the Congress, as well as passing upon the various serious problems confronting our country wherein he might differ with these gentlemen, to state that such a Member has gone back on the President or that he is trying to defeat the President's program. I want to state frankly that it is my belief that we have one of the greatest Presidents in the White House at this time that this country has ever had—a man whose purpose, out of a gracious heart, is to protect and promote the welfare of the average business as well as the great masses, even at the expense of the rich of this country. I also want to state that I am 100 percent for the President and his program. However, I am not for any administrator or any of those operating under the various heads of the departments who is willing to permit special interests, representatives of large interests, and big businesses to write rules and regulations governing bills passed by Congress, the various programs and codes advocated by the President, and permit these same interests or their representatives to enforce same at the expense of small industries, independent business concerns, labor, and the great masses of the people of this country.

I am quoting herewith from an article in the Memphis Lumberman and Southern Woodworker:

MY REACTIONS TO THE LUMBER CODE AND MINIMUM PRICES

So far the small-mill operator knows that the code and the price lists were written by and for the big mills. The small manufacturer was not consulted; he had no voice or representation, and by this time most of the small operators who have had the temerity to kick about some flagrant unfairness have learned that kicks are futile, and after the second or third kick he will probably be advised that the small operator doesn't know how well off he is.

Let me state further that I have looked up the pine price committee, and they represent firms rated as follows: 9 are rated \$1,000,000 or more, 2 are rated \$750,000 or more, 3 are rated \$200,000 or more, 2 are rated \$100,000 or more.

As to the hardwood price committee, I don't know who they are, but I have yet to find a small operator who has had a voice in the framing of any part of the code covering the fair-practice rules or the so-called "cost-protection prices."

Frankly, I believe the code has real possibilities, but I also believe that if the small manufacturer is not given proper consideration at an early date he will be forced to disregard the code entirely and that will result in more confusion than the industry has ever known.—A Small-Mill Operator.

It is very apparent, after reading this article, that I have been speaking the language of these small operators and small business concerns. Two thirds of these small operators did not know that a code was being written or anything

about its contents when it was presented to General Johnson in Washington by the representatives of these large industries.

You will note that the price-fixing committee is composed of men of wealth, none of them being in a position to speak the language of my sawmill operators. This has been the trouble with General Johnson's program—he has permitted this same selfish interest to run things. I am not going to follow that kind of leadership under the guise that it is the President's program. I prefer using a little common sense and a little backbone in trying to save the President and the people in whom he is mostly interested.

I am quoting Mr. Donald Comer, president, the Avondale Mills, Birmingham, Ala., on Wages and Wage Differentials, before the conference of the code authorities, Washington, D.C., Tuesday, March 6, 1934:

With the great preponderance of industry in the North and East, I am told—and it is easy to understand—that out of the 2,033 leaders taken from industry to serve on the 210 code authorities, that only 181 are from the 13 Southern States.

The purpose of my talk is to ask the N.R.A. to give patient heed to the requests that come to them from these agricultural sections for code provisions that meet their needs. They are coming, in every case, speaking for minorities. They are speaking not only for the little industry already established but for that larger part which, by right, is yet to come.

This is exactly what I have been complaining about, Representatives of small sawmills and small industries, as well as small business concerns, have not taken part in writing codes, and the sawmill industry of the South has never been properly represented by anyone who could give an account of its problems and speak its language.

General Johnson states that 70 percent of the sawmill lumber industry was represented in writing the sawmill lumber code.

Let us see who they are and where they come from, as well as whom they represent:

NAME, REPRESENTATIVE OF, AND LOCATION

A. C. Tozzer, member code authority, Turner Construction Co., New York City.

Max Myers, member code authority, National American Wholesale Lumber Association, Cleveland, Ohio.

A. J. Hager, member code authority, National Retail Lumber Dealers' Association, Lansing, Mich.

Arthur D. Smith, Jr., member code authority, Commercial Fixture Manufacturers Association, Philadelphia, Pa.

E. J. Curtis, member code authority, Curtis Companies, Inc., Clinton, Iowa.

Wilson Compton, member code authority, National Lumber Manufacturers' Association, Washington, D.C.

W. B. Greeley, member code authority, West Coast Lumber Association, Seattle, Wash.

C. C. Sheppard, member code authority, Louisiana Central Lumber Co., Clarks, La.

This is the same Sheppard who jumped on me for defending the small sawmill operators. He sounded his own praises long and loud as a sort of nursing father to small enterprises. Yet he is the same Sheppard who helped to crucify the Willamette Valley and Westport mills, and helped to rig the oak-flooring market by means of the basing point system for the benefit of the Bruce Lumber Co. and the elimination of the lesser units in the industry.

David T. Mason, member code authority, Western Pine Association, Portland, Ore.

Homer B. Kendall, member code authority, Western Retail Lumbermen's Association, Spokane, Wash.

C. Arthur Bruce, member code authority, E. L. Bruce Lumber Co., Washington, D.C.

John Tennant, member code authority, Long-Bell Sales Co., Longview, Wash.

Walter S. Johnson, member code authority, California White & Sugar Pine Association, San Francisco, Calif.

L. F. Powell, member code authority, David M. Lea & Co., Richmond, Va.

Harris H. Gillam, H. A. Lawrence & Co., Fitchburg, Mass.

P. E. Hoak, Wheeler Lumber Bridge & Supply Co., New York City.

A. Fletcher Marsh, Marsh & Truman Lumber Co., Chicago, Ill.

H. W. Ambrose, Conway Lumber Co., Conway, S.C.

Ger. J. Leonard, Manufacturing Woodworkers' Association, New York City.

Justin McAgdon, Master Carpenters' Association, New York City.

H. G. Klopp, White Pine Sash Association, Spokane, Wash.

Harry Jensen, Millwork & Cabinet Association, Chicago, Ill.

H. J. Wilson, American Veneer Package Association, Hazelhurst, Miss.

Walter Johnson, California White & Sugar Pine Association, San Francisco, Calif.
 W. L. Pitts, Marshall Manufacturing Co., Marshall, Tex.
 William Green, American Federation of Labor, Washington, D.C.
 W. C. Ruengnitz, Loyal Legion of Loggers and Lumbermen, Portland, Oreg.
 Mr. Stowers, Oak Flooring Association, Memphis, Tenn.
 A. L. Osborn, Northern Hemlock and Hardwood Industries of Michigan, Wisconsin, and Minnesota, Oshkosh, Wis.
 S. F. Langdell, Northeast Lumber Manufacturers Association, New York City.
 W. L. Hoge, the Mengel Co., New Orleans, La.
 Samuel R. Sells, Miller Bros. Co., Johnson City, Tenn.
 Homer Bunker, Coos Bay Lumber Co., San Francisco, Calif.
 Courtenay Dinwiddie, National Labor Committee, New York City.
 John G. Whittier, Whittier Lumber & Millwork Co., Newark, N.J.
 J. F. Gerrity, J. F. Gerrity Co., Boston, Mass.

Now, these are the people who wrote the code. You will note that there is not a man from the South connected with the administration. What I am trying to get over to you is the fact that these people—representatives of large industry and large organizations—are the ones who wrote the code, and, also, are the ones who have charge of the enforcement of same. Under these circumstances, the small sawmill operators, small industries, as well as independent business concerns, are unable to receive the proper sympathetic, helpful consideration.

Last August, about the 15th, before leaving Washington for my home, I called General Johnson over the phone and made the following statement to him:

General, you have a beautiful picture as presented in your program whereby you propose to work out codes governing every line of business, with the hope that you may be able to bring about fair-trade practices, fair prices, and fair wages for those thus engaged in, as well as those employed in, the various industries and various lines of business in this country. However, unless you are going to take into consideration the various types of industries, businesses, and labor problems in the various sections of the country, whereby you will be able to secure a real picture of the situation in the various States and various sections of the country so as to be able to work out a satisfactory solution of the problems of industry, business, and labor, which differ in the various States and sections of the country, it will be impossible to successfully operate the N.R.A. program.

What I wanted to get over to General Johnson then, and to you at this time, is that the problems in the same line of industry and the same line of business differ in the various States or the various sections, and that it will be impossible to work them in the picture on the same basis. Certainly, we have a different labor situation in the South to that of any other section of the country. Our capital structure differs, our banking facilities are limited, we have an agricultural State. Therefore, our business is not steady. It is seasonal. From time to time, according to telegrams and letters addressed to General Johnson, you will find that in season and out of season I have been begging General Johnson to send a representative of his administration (not connected with the lumber industry or the Southern Pine Association, which is composed of large lumber industries and whose duty it is to enforce the provisions of the code) into my State so as to be able to get the real picture of the problems of small sawmill operators, which would include labor problems and the consumer's ability to pay, with the hope that the code may be so modified that these people would be able to operate their various mills and thereby give employment to thousands of needy citizens in the various communities of South Carolina.

I am speaking to you about sawmill operators who usually employ from 5 to 25 employees. Many of these sawmill operators are farmers who operate a sawmill in conjunction with their farms. In other words, they use the same employees who work on the farm in running the mill, perhaps at times when they have not any work or are unable to work on the farm. I run a sawmill on my farm along the lines just suggested. Sawmills thus operated always pay their employees a larger wage than they do on the farm. However, because this labor is not at all efficient when it comes to sawmilling, naturally, these mill operators are unable to pay wages in line with the wages paid by large sawmills where they have machinery and efficient employees.

As previously stated, if the general will come down to South Carolina, or send a man down, he will find that this

class of labor has free housing, free wood and gardens, and that many of them are full-sized share-croppers. This is not always the case with large sawmill employees and employees in industrial centers. The President recognizes this fact and is now providing money to buy small plots of land, under the subsistence homestead plan, near these large industrial centers in order that these employees can have a milk cow, garden, chickens, and so forth.

During the past few weeks a Mr. Sheppard, who is high up in the council of the mighty and a member of the code authority in connection with General Johnson's Administration, has been trying to convict me on the ground that I have been advising small sawmill operators in my district not to comply with the provisions of the sawmill lumber code. Perhaps Mr. Sheppard has about come to the conclusion that the manner in which they have been trying to force small operators to comply with the code, without having given due consideration to their ability to comply, and that the code authority, as well as the Southern Pine Association, whose duty it is to enforce the code, are about to fall from grace. Naturally, he would be delighted to place the blame on the shoulders of southern Congressmen. I noticed in the press some time ago that Mr. Sheppard gave out a very brief statement, quoting a short excerpt from my letter about which he complains. If he had given to the administration, as well as to the press, the real facts connected with the case prior to the writing of this letter, as well as the full contents of the letter, it certainly would have shown to all parties concerned that, instead of trying to break down the N.R.A. program, as it relates to the sawmill and lumber industry, I have been trying to get over to the administration a little common-sense advice. In the meanwhile, I have been doing more in the way of being helpful than even a great many of those who are connected with and responsible for the success of the program.

On February 13, 1934, I received the following letter from Mr. E. W. Watson, Windsor, Aiken County, S.C.:

WINDSOR, S.C., February 13, 1934.

HON. H. P. FULMER,

Member of Congress, Washington, D.C.

MY DEAR MR. FULMER: As you doubtless remember, I run a small farm, and at times a small sawmill, to make a living.

I work a few hands, possibly five, first on the farm and then at the mill. My work is not such that I can strictly abide by the codes that the Government has burdened us with, especially as to hours and wages.

I have asked for a code membership for the mill, and so far as that goes, I propose to practically stay in line with the demands. But, as stated above, I cannot do this strictly in every detail on account of the mixed duties.

Now there are some big mill operators around my territory who seem to wish me to simply cut my timber and sell to them at any price they put on it, claiming that the code allows them to buy at wholesale, at any price they see fit. And, at the same time, they make a veiled threat that, if I go into the open market and take orders, they will see that I am jerked up for breaking the code; yet they beat us little fellows down and won't allow us to sell, only to them. They are located in Aiken, Augusta, and such large places.

They have one of their bookkeepers or clerks appointed as inspector, who keeps them posted as to our movements, tracts of timber, and everything they can do to intimidate us. Many of us are really quitting and discharging our help; we cannot afford to operate with such a weight suspended over us. I simply quit sawing, and the hands are now loafing and begging over the neighborhood. They are after me to let them work for me, and are perfectly willing to accept good fair wages in order to be self-supporting. They have no complaint to make at all, only begging for work which I can't afford to give them.

Can't I allow them to log and saw by the thousand and pay them all they ask without being interfered with by those big corporations? I do not wish to break any code or break their rules, only wish to give my hands work when not working on the farm. I hate to annoy you, but we need help and advice or we are going to suffer and lose what we have, mill and all.

Do, please, let me have some effective advice.

With best regards, I am sincerely yours.

E. W. WATSON.

On February 16 I replied to Mr. Watson as follows:

FEBRUARY 16, 1934.

MR. E. W. WATSON,

Windsor, S.C.

MY DEAR MR. WATSON: Replying to your letter just received, will state that I have conferred with a representative of the N.R.A. with the hope that we would be able to work out some plan whereby small sawmill operators would be able to operate their

mills without much trouble under the code. It appears, however, that we are unable to make much headway. If I were you, I would operate your mill on a common-sense basis, being just as fair to the hands who work for you as you possibly can, in line with the prices which you receive for your lumber.

I understand that a man will go down to South Carolina, representing the lumber code, and, also, a representative of the Federal Trade Commission, for the purpose of trying to get complete information, so as to be helpful in perhaps modifying the code, which would be helpful to small sawmills. Just as soon as I have some report from these parties, I will be glad to communicate with you.

Sincerely yours,

H. P. FULMER, *Member of Congress.*

P.S. Keep a watch-out for this party.

Mr. Sheppard, in making his charges against me and other Southern Representatives in Congress, did not state that I had been continually calling on General Johnson and conferring with the representatives of the N.R.A., hoping that I would be able to be helpful in working out or modifying the code so that thousands of small mill operators, who are just as patriotic and who are just as anxious to carry out the provisions of the code as any of the large industries, would be able to operate thereunder, as well as to save wage earners and consumers. Mr. Sheppard also failed to state in regard to this letter that it contained a statement that the administration had promised to send a man down to make an investigation for the purpose of getting a real picture of Mr. Watson's situation, as well as that of other small mill operators in South Carolina, all of which would indicate that I was striving to be helpful to the administration and, in the meantime, keep Mr. Watson and his employees out of the bread line.

You will note, after writing my letter to Mr. Watson, wherein I stated that I had been promised that a man would be sent down, I put a postscript on the letter telling him (Mr. Watson) to look out for this party. Mr. Sheppard would have the other members of the code authority, as well as General Johnson, and the public, believe that I was trying to tip Mr. Watson off so that he could cover up. If this was true, why would I have written Mr. Watson in the same letter as follows:

I understand that a man will go down to South Carolina representing the lumber code and also a representative of the Federal Trade Commission, for the purpose of trying to get complete information so as to be helpful in perhaps modifying the code, which would be helpful to small sawmills. Just as soon as I have some report from these parties, I will be glad to communicate with you.

P.S. Keep a watch-out for this party.

My letter was addressed to Mr. Watson on February 16. On March 6 I received the following letter from Mr. Bravo, compliance department:

LUMBER CODE AUTHORITY,
Washington, D. C., March 6, 1934.

Hon. HAMPTON P. FULMER,

New House Office Building, Washington, D.C.

MY DEAR CONGRESSMAN: We herewith confirm telephone conversation of March 5, relative to a complaint against the code by E. W. Watson, Windsor, S.C.

At our request, the Southern Pine Association has had their Mr. Sykes call upon Mr. Watson and explain to him in detail the purpose and provisions of the code. They now advise that Mr. Watson will comply with the code in the future.

The Southern Pine Association is having their representative call on every little sawmill operator in their division as rapidly as possible, with the view of explaining the purpose and provisions of the code to them. In almost every case, the mill men appreciate this courtesy and after a visit of the Southern Pine Association representative, they see the code in an entirely different light.

The Southern Pine Association decided to adopt this plan after same had been suggested by yourself and other Members of Congress, and the plan apparently is working out very satisfactorily.

Thanking you for your courtesy and assistance in this matter, we are

Very truly yours,

LUMBER CODE AUTHORITY,
H. L. BRAVO,
Compliance Department.

It appears from this letter that I was not tipping Mr. Watson off so that he could cover up, as stated by Mr. Sheppard. From the time of my telephone conversation with General Johnson on August 15, 1933, to the time I wrote to Mr. Watson, the record will show that I was trying

to serve my constituents in having someone go down and give them information as well as get real facts, first hand, at the sawmill.

In the last paragraph of Mr. Bravo's letter he states:

The Southern Pine Association decided to adopt this plan after same had been suggested by yourself and other Members of Congress, and the plan apparently is working out very satisfactorily.

It appears that at last I have gotten results. Practically every letter I received from my sawmill people requested information. They wanted to cooperate but they had been receiving threatening letters about taking them to court. If General Johnson had taken my common-sense advice several months ago, perhaps thousands of these little mills which had to close would have been able to continue their operations.

Mr. Bravo states that now Mr. Watson will comply with the code. If this is possible, what harm did I do to Mr. Sheppard, if writing Mr. Watson as I did kept him and his hands going until he could get what he was asking for from Washington? I am still 100 percent behind my position in this matter and my letters to my sawmill operators. If Mr. Bravo is right about straightening out Mr. Watson, Mr. Sheppard owes me an apology. However, I am not expecting any. If he were the right type and the right man for the position he holds, he never would have made the statements he did about me. I am working overtime to save my people and the President from just such men as Mr. Sheppard.

It has not been the purpose of these small sawmill operators to evade the requirements of the code. On the contrary, they have been continually seeking information in order that they might meet the requirements. Many of them have been distressed over the fact that compliance meant cessation of their mill operations—unemployment for their employees, and, in many instances, for themselves.

The following excerpts from letters written to me by these small operators are a few of the many which I have received. How truly they depict the distress of these people; their desire to fall in line with the President's program; and their attitude toward the sawmill lumber code.

ELIMINATION OF SMALL MILLS

We fully agree with all you have said in your telegram to General Johnson. Since August 22 we have lived up to the code as to hours and wages, which are the main features, and the other parts so far as we could, but it has been a losing proposition to us, and we must get relief in some form, otherwise we will be forced out of business. All we have is in the business, and to close down would mean ruination, and to continue fully under the code will also mean ruination. It has looked to the writer all along like the Southern Pine Association would be glad to eliminate the small millman from the lumber business. The purchasing agent for one of the largest buyers of yellow pine in this section told the writer recently that, in conversation with a Southern Pine Association man, the statement was made by the association man that the small millmen have never cooperated with the association nor borne their share of the expense, and that the only way to handle him was to eliminate him from the business.

RUINATION IN EITHER EVENT

All we have is in the business and if we have to close down it would mean ruination. And to continue fully under the code will also mean ruination.

I HAVE TO WORK TO FEED MY FAMILY

I am being threatened with the Southern Pine Association for operating without paying 24 cents per hour. My lumber sales will not pay my stumpage and other necessary expenses at the above-mentioned price. Also, this association states that I will have to pay back time and I have no money to pay with. I have to work to feed my family.

I AM UNABLE TO PAY THE PRICE

I have been threatened by the Southern Pine Association from time to time to the extent that I have had to discharge all of my hands and run the mill as best I can by myself, not being allowed to hire anyone unless paying 24 cents per hour and work 8 hours per day. The market I have to sell my lumber on is the farming class of people, so I am not able to pay the price set by the Southern Pine Association.

EXCESSIVE BILLS

It is absurd for the Southern Pine Association, which is an association of the large lumber mills, to be allowed to enforce a code on small lumbermen.

I have been sent what I consider excessive bills for code administration. I have a bill from our regional head for expense, and also one much larger from the Common Brick Manufacturing Association for administration expense. It looks like they not

only dictate us to bankruptcy, but ask us to pay for same. I just have not the money to pay these bills. I have been behind on just bills for things that we owe for and am still behind.

NO EXTRA CAPITAL. HOW CAN WE COMPLY?

We operate our sawmill on a very small basis. We use from four to eight hands and pay them from the proceeds of our lumber. We depend on the local market for our sales. We do not see how we can comply with the Southern Pine Association. We do not have any extra capital.

AM I VIOLATING THE CODE?

The code authority claim I have to get the same price for my lumber at the mill as the people in the city of Charleston and add 15 cents per mile for hauling. This has hurt my business more than anything the code authority has done, for the people will not buy lumber from me when they have to pay the delivery charges on same.

I would appreciate it very much if you would advise me if I am violating the code law by working code hours and paying my labor code prices, and selling my lumber for a fair price. I am sure this will be using common sense.

WE GET A MUCH LOWER PRICE

We are operating a small sawmill and find the code of no benefit to us. There are many small orders which we could get if allowed to sell direct from the mill. But we are forced to sell to (or through) our local dealer. He gets code prices. We get a much lower price. In other words, the dealer may buy at whatever price he can get us to sell for—and, if we must sell to him, what can the mill operator do?

WE WANT TO MAKE AN HONEST LIVING

I am one of eight brothers, all of us engaged in individual business on a small scale, some of it small sawmill business, all trying to give as near a square deal as possible and make for ourselves an honest living; you evidently know what we are up against.

WE DO NOT HAVE TO BE THREATENED TO OBEY THE LAW

We are practically closed down. Our men are on starvation. And, our business has dropped off 70 percent in the last 60 days. The code hours, wages per hour, and price fixing are putting us out of business and we and many others will have to close up shop and quit a business we have been in and made a living at for many, many years. We are required to pay a minimum wage of 24 cents per hour, not work any man over 40 hours per week, and a minimum price is fixed on lumber which our farmers cannot pay at 8-cent and 10-cent cotton and tobacco. Our company does not have to be threatened in order to obey laws. As far as it is humanly possible, we want to do so. It is our duty. But, it is hard to live up to something which is putting your men out of work and financially ruining your business. We thank you collectively and individually for your stand and hope that you will be successful in getting them to see the conditions that thousands of small millmen are in and the hardships and suffering of their employees.

IT IS SIMPLY IMPOSSIBLE

It is simply impossible and out of all reason to expect the small sawmills to comply with some of the requirements of the code as applied to large sawmills.

FARMERS CANNOT PAY CODE PRICES

My lumber, which is only an unfinished product, is sold to the average farmer, and is used for general repair work and necessary farm buildings. Farmers, as you know, cannot pay code prices for lumber.

It is impossible for me to sell lumber under such conditions; then I shall be forced to shut down, which act will mean that 15 men who have been earning a living independent of Government aid and food through these years of depression will be added to the army of the unemployed.

MR. ROOSEVELT A GREAT MAN

We think Mr. Roosevelt is one of the greatest men the country has ever produced, and do not think that if he were familiar with the conditions of the small mill owners that he would permit through the operation of the N.R.A., a group in any industry that did not furnish more than one fourth of the employment to individuals, to crush the less fortunate group who furnish three fourths of the labor in the entire industry.

TWENTY-THREE MEN OUT OF WORK

I am writing you in regard to small sawmill operation. I bought a mill at Norway on January 1, and Mr. Fraser and I have run it together since then, until the 2d of March, when we decided that it was impossible to pay the N.R.A. wages and hours and split even. I regretted it very much, as we had to lay off 23 men that had been working regularly.

MY ONLY MEANS OF SUPPORT

I have a small community mill. I buy no logs, ship no lumber, and only run when people bring logs for me to cut for them at so much per thousand or on shares. And I am sure that I do not average 1,000 feet per week during the year. It is my only means of support, and when I run the mill I give work to four or five men, which is some help to them and a convenience for the community to have in our midst. I appeal to you for a suitable code for my class of small lumber mills.

GIVE ME LIBERTY OR GIVE ME DEATH

I pray you to use your influence and power as Congressman to give free-born American citizens back their freedom.

Why, they are coming to my sawmill, telling me what I can do and what I can't do with my own timber and what I must pay my labor, no matter how trifling it may be, and what I must sell my lumber for, which is so high that persons in need of lumber cannot buy.

I am quoting from a letter addressed to a number of sawmill operators:

I have succeeded in having a representative of General Johnson visit my district next week for the purpose of working out satisfactory arrangements with sawmill operators with the hope that they can get together on the sawmill lumber code on a satisfactory basis.

A few excerpts from various letters received in reply to the above:

SEEKING INFORMATION

The writer is grateful for your letter and would be glad indeed to have a chance to talk with the representative from General Johnson's office. Should this gentleman not find it convenient to come here, I would be glad to meet him in Orangeburg or at any other place that would be convenient for him. I would prefer, however, to talk with him here.

EXPECTING INFORMATION

I have been expecting a representative of the N.R.A. to call on me, as you gave me notice, but as yet I haven't seen or heard of him.

WE GREATLY APPRECIATE YOUR EFFORTS

We would be glad to discuss our problems with the gentleman. We want you to know we greatly appreciate your efforts on behalf of the lumber manufacturers.

GETTING THE REAL PICTURE

A representative from the Federal Trade Commission called on the writer at his mill this week. We explained to him the difficulties we are having; small tracts of timber, mostly of low quality, rather high-priced stumpage; the amount we were able to cut per day; the prices we are getting for the class of lumber we manufacture; the limited amount of orders; the number of men we work; and the amount of the pay roll.

SMALL OPERATORS APPRECIATIVE

We had a visit from Mr. J. E. Sheehy, of the Federal Trade Commission.

The writer greatly appreciates your efforts in behalf of the lumbermen.

From the following excerpts it is very apparent that my sawmill constituents appreciate my efforts in their behalf:

We are counting on you to fight our battle while the N.R.A. is on trial.

We certainly think you are dead right in your position for them to comply with the code so far as they possibly can.

Hoping that you may live for many more years to fight the battle for the man who needs help, the poor man.

Mr. FULMER, I served my county (Chesterfield) with Hon. J. C. Rivers in the house of representatives at Columbia, 1919 and 1920, and remember you and am glad to know that you were further honored by your people. Keep hammering at Mr. Johnson, for your cause is armed with truth and justice.

We thank you collectively and individually for your stand and hope that you will be successful in getting them to see the condition thousands of small mill men are in and the hardships and suffering of their employees.

Our daily paper mentioned the fact that you had been in touch with small sawmills in South Carolina and had written them to use common sense in the interpretation of the lumber code.

We congratulate you on your stand, and if more of our Representatives in Washington would take an interest in the oppression now being brought upon small sawmills in the South under the lumber code, the N.R.A. would become more popular and we believe that the general public at large would be greatly benefited.

The lumber code was written by large manufacturers, the administration of the code in various sections is under the control of the same group, and these same men form the lumber code authority.

The small sawmills are not organized; they do not have the time nor the money to be represented, and lack of representation in the formation and administration of the code naturally resulted in monopolistic control of these codes with price fixation that does not protect the small mill.

It is conceded that the cost of manufacturing lumber by the larger mills averages from \$8 to \$10 per thousand feet higher than similar cost of producing lumber by small mills.

We commend the position that you have taken and believe that there are many more Representatives in Congress who would take the same position if they only had first-hand information on this subject. We know that you are busy, but you come from a lumber-producing State; in fact, most of the mills in South Carolina are small sawmill operators who are being seriously oppressed by the present provisions of the lumber code.

SUMTER, S.C., March 15, 1934.

FULMER'S STAND O.K.

EDITOR THE HERALD,

Sumter, S.C.

DEAR SIR: Congressman FULMER was right when he told those small plants and mills to use common-sense methods in oper-

ating their business. He knew then, as most of us know now, that the N.R.A., as fine as it is, would work undue hardship on numerous small business establishments. He also knew that something would have to be worked out to give relief to them. Meanwhile he wanted to help them stay in business until that could be done. Can anyone conceive of a more practical thing to do under such circumstances than to use common-sense methods? If our Representatives in Congress will use common-sense methods, let's shout their praises from the housetops, not criticize them.

Yours very truly,

J. S. RIDER.

When I appeared before Sheppard and his group I found them on the tenth floor of the Raleigh Hotel trying to tell sawmill operators in my district how to run their mills, and jumping on Congressmen, especially those who were trying to save their constituents, as well as the President, who has intrusted the carrying out of his recovery program to men like Sheppard. In speaking to this group I was told that if Congress would give them more money, it would be possible to send men into the field to do the things that I had been requesting. I said, "If you will stop holding expensive group meetings here in Washington hotels, it would appear to me that you would not need any more money." I also stated that if with all the money which Congress had appropriated they were unable to properly and successfully carry on, the money must be going into a rat hole somewhere. The next morning I read in the Brooklyn Daily Eagle the following:

C.W.A. PAYS \$70 PER RAT IN DRIVE—BROOKLYN DAILY EAGLE REPORTS ERADICATION CAMPAIGN DROPPED AS TOO COSTLY

BROOKLYN, N.Y., March 8.—The C.W.A. campaign to rid the city of rats has been dropped, the Brooklyn Daily Eagle says, because it was found to be costing \$70 a rat.

The campaign began a month ago when 261 C.W.A. workers were equipped with traps and bait and sent out on what was called "the ectoparasitic rodent survey." Waiting to record the results of their work was a battery of timekeepers, typists, and technicians, the Eagle says.

The purpose was to supply rats for experiments being conducted by the United States Public Health Service as well as to eliminate the rodents from tenements, wharves, and dumps.

Hopes of catching 200 rats a day went aglimmering when the trappers returned with only 60 or 70 a day, and with \$218,000 appropriated for the first 45 days it was decided the project was too costly.

Why is it that these small sawmill operators cannot comply with the code as written by the representatives of these large sawmill and lumber organizations? In my own district, of eight counties of the States, I have, perhaps, as many as three to five hundred of these little mills in the various communities in these counties. All of these small mills are being operated on an independent unit basis.

They have never been able to organize, and, like farmers, never will be able to do so. They have not any working capital, but from week to week they run their mills, selling the output—all rough lumber—for the most part locally to farmers and small-town merchants for the purpose of repairing and building farm and small town buildings. They have no way on the face of the earth to fix a price for their lumber. The prices are fixed in the locality in which the mill operates, largely according to the ability of the purchaser to pay. They pay the operating expenses of their mill and their labor weekly from the lumber that they usually cut and deliver during the week. In other words, when it comes to capital, they are in the same position as the average small, independent industry, and the average small business concern, which we have all over the South, as well as in every other section of the country—they do not have it and no place has been provided from which they can secure same.

Much has been said by General Johnson about providing funds to help small concerns continue to operate under the N.R.A., but so far nothing has been done along this line. Provision has been made for railroads, insurance companies, banks, and so forth. Large industries, large business concerns, chain stores, and large corporations are able to secure funds, as a rule. This is not so with the people for whom I am fighting. Because of this situation many of them are being forced to the wall.

The operation of these mills during the past few years has been providing bread and meat for thousands of needy employees, who have, so far as my information goes, been paid

in line with the prices that these sawmill operators are able to secure for their lumber. As far as I am concerned, cheap wages has been one of the greatest curses of the South. But, even so, it is better in this instance to have these small mill operators, as well as all small lines of industry and independent business, keep going and paying just as fair wages as possible in line with their ability to pay, rather than to close them up. The closing of these concerns would be in the interest of the large industries, large business concerns, and would place thousands of employees in bread lines and on the mercy of the Government.

Small sawmill operators and small lumber dealers subscribe to the policy of adding a reasonable profit to the expense of running their business. In the meantime, as previously stated, they sell rough lumber and their customers are largely farmers and small business concerns who are not able to comply with the fixed minimum price under the code which includes profits from 30 to 70 percent. Lumber which has been selling on a small-profit basis has been advanced largely to protect large operators where overhead expenses call for a much higher price.

Listen to these fixed minimum prices:

B & B KILN DRIED ROUGH FINISH

Approximately a year ago the retail prices upon a 30 percent profit on cost and fixed prices under the code today are as follows:

	Per 1,000 feet
No. 1 common flooring was.....	\$25.00
Under the code.....	48.62
No. 1 common ceiling was.....	22.50
Under the code.....	38.00
Air-dried roofers was.....	18.00
Under the code.....	29.50
Rough lumber, small mills, was.....	10.00
Under the code.....	20.00

Listen to this:

[From the News and Courier, Charleston, S.C., Mar. 17, 1934]

SHIPLOAD OF FIR TIMBER COMES IN—"WILZIPPO" UNLOADING 750,000 FEET OF LUMBER FROM PACIFIC COAST

A cargo of 750,000 feet of Pacific fir timber is being discharged in Charleston from the steamship *Wilzippo*. Of the cargo, approximately 500,000 feet is being discharged at the Century Wood Preserving Co.'s plant for treatment there and the remainder is consigned to the Southern Railway Co.

This is the first large cargo of Pacific fir to be discharged here, and it is believed that it will be the beginning of a regular movement. It was loaded in Port Ludlow, Wash., and is to be used in the construction of wharves and bridges.

These large Pacific coast manufacturers have been able to write into the code points for basing their prices thereon, as well as fixing a price, for instance, on fir lumber, that will enable them to undersell manufacturers of pine lumber.

J. W. JACKSON,
LOGS, LUMBER, MEAL, AND GRITS,
Summerville, S.C., April 2, 1934.

Congressman H. P. FULMER,
Washington, D.C.

DEAR SIR: I noticed your remarks in the State last week relative to the small sawmill men of the South, and wish to thank you very much for the stand you have taken on this matter. If some more of our Congressmen and Senators would take a hand they could do us a world of good.

I have seen quite a lot of Douglas fir coming into Charleston from the west coast. I also saw a letter from one of the biggest buyers in this section, and they made the statement that they could buy Douglas fir from \$8 to \$12 per thousand less, delivered here, than the code prices on pine. It, therefore, stands to reason that if there isn't some step taken to protect us our future is doomed. Thanking you again, I am,

Yours very truly,

J. W. JACKSON.

Just stop and think for a moment about a lumber code that will permit lumber dealers in the State of Washington to deliver at Charleston on a cheaper basis than sawmill operators in South Carolina or lumber dealers located in Charleston.

It appears that the consumer should also be taken into consideration under the National Recovery program. As fast as we do something for farmers in order to secure better prices for their produce, the N.R.A. comes along with additional advances in the prices of the things which farmers have to buy. Yet, farmers were promised parity prices.

In other words, prices for their products on a par with prices for goods which they must purchase.

I want to digress here long enough to make this statement: I am confident that, if the administration would restore the proper prices for farm products, it would not be necessary to take charge of every line of business, hoping to so manage or control same that normal prosperity will be brought back. It is not the average business which needs controlling by the Government. It is that class—about 5 percent of the total population—which controls the finances of the country—those who have robbed the average American citizen in every walk of life by speculation, monopolistic price fixing, defeating the Government of just payment of taxes, and selling millions and millions of worthless stocks and bonds. I am for controlling these birds, thereby giving the average citizen an opportunity to make an honest living.

Let us return to the sawmills. The lumber dealers in the large forest areas and cities, where financial facilities are ample and where they have a place to go to replenish their working capital, being organized and having a large sales force, may, no doubt, be able to sell their lumber at the drastic price proposed. However, lumber cannot be sold in rural communities of farmers and small tradespeople, where the profit demanded is from 50 to 75 percent.

Listen to this. I am quoting from a letter received on March 21:

Your small sawmill operators, under the code, are in this almost unbearable situation, due only to the fact that the men who composed Lumber Code Authority and had set forth the rules and regulations under which the lumber industry must operate, had reserved unto themselves and other large manufacturers of lumber the right to buy the product of the small producer without regard to the so-called "cost-production prices" which they also had put into effect. Through this reservation, the larger manufacturers, or concentration yards, were permitted to go to your constituents, the small producers, and take their lumber at any price; yet your constituents were asked to pay identically the same wage scale as the big manufacturer.

That, sir, is the reason your constituents, according to your statement, were receiving only an average of \$10 to \$11 per thousand board-feet, while the big operator, who took this material, was enabled to sell the same material, without further remanufacture, at from \$22 to \$23.

I want to quote from a telegram addressed to General Johnson on October 28, while I was in my district, where I was able to observe the situation:

ORANGEBURG, S.C., October 28, 1933.

Gen. HUGH S. JOHNSON,
N.R.A., Washington, D.C.

Numerous small lumber mills, operating 6 to 25 employees in South Carolina, selling their output altogether locally, cannot comply with the code operated under by large manufacturers of lumber. They have no extra capital—in many instances paying their running expenses from their weekly receipts from sales of lumber. A representative of the Southern Pine Association, a combination composed of large manufacturers, is understood to be operating as an agent of the Government, and is now checking these plants in South Carolina, threatening court proceedings. I am informed that this association is going after, largely, small plants who are unable to pay membership dues in this association. I find these mills unable to fix prices on what they sell and depending on local market prices, which will not permit them to fully comply. However, I find them patriotically running their mills on a common-sense basis with fair wages in line with prices received for lumber. I also find to do otherwise they would have to close down, which seems to be what the Southern Pine Association would be delighted to have them do, and which would put hundreds of employees out of work. I have advised sawmill owners in my district, above referred to, to continue as best they can, awaiting a representative from your organization to come down to make an investigation so as to get a real picture of the situation so that agreements may be worked out that they can comply with and that would meet the situation. I earnestly request a prompt investigation. Please inform me if the representative of the Southern Pine Association is operating as an employee of your administration; if not, by whose authority is it permitted to threaten mill owners with court proceedings?

H. P. FULMER,
Member of Congress.

Official business.

General Johnson did not send a man down. He was too busy leaving everything with the code authority and the Southern Pine Association. The Southern Pine Association had an idea that they could run these small mills or close them up by writing, threatening them with Federal court proceedings.

Although I stated to General Johnson in my telegram, "I have advised sawmill owners in my district to continue as best they can, awaiting a representative from your organization to come down so as to get a real picture of the situation", and although I requested a prompt investigation, he did not send anyone down or even mention the matter. Here is the answer which I received:

NATIONAL RECOVERY ADMINISTRATION,
Washington, D.C., November 1, 1933.

Hon. H. P. FULMER,
Orangeburg, S.C.

MY DEAR CONGRESSMAN: I beg to acknowledge your night letter concerning the difficulties being experienced by small lumber mills in the southern-pine division, under the code for the lumber and timber products industries, in supporting the minimum wage established for that division. I have requested that the economic effects of that minimum on the industry be studied by the lumber-code authority for the purpose of making recommendations to me in order that I may determine whether experience under the code indicates the need of further recommendations to the President.

I am informed that the Southern Pine Association has been designated by the lumber code authority as its administrative agency for the southern-pine division under the code. You will recognize that, in an undertaking in industrial self-government under the National Industrial Recovery Act, duly appointed representatives of an agency under a code authority are necessary to the effective operation of a code. If such representatives, in some cases, have lacked all the tact that could be desired, I am sure you will understand that, in the case of the lumber industry, the number of operating units, in the South particularly, present a problem designed to tax the ability of any administrative organization.

May I explain that approval of a basic code of fair competition for an industry, under the National Industrial Recovery Act, establishes it as the law for the industry concerned, under which it must govern itself? In order to accomplish the primary purposes set forth in the act, the maximum hour and minimum wage provisions of a basic code cannot be fatal economic injustice to competing groups. For this reason the mills referred to in your region must observe the hour and wage provisions of the code until action, approved by the President, has been taken. In no other way could cooperation between management and labor be maintained and ultimate stability of industrial and employment conditions be achieved.

Very truly yours,

HUGH S. JOHNSON, Administrator.

I am going to put on the witness stand at this time a small sawmill operator, also a county commissioner. This party resides in Georgia, but he speaks the language of my people.

GRAYMONT, GA., March 14, 1934.

Mr. H. P. FULMER,
House of Representatives, Washington, D.C.

DEAR SIR: Although I am not a citizen of your congressional district, nor of your State, I have been reading with a great deal of interest of your speeches and actions in regard to the dictatorial attempts of the Southern Pine Association, under the N.R.A. lumbermen's code, to freeze out and choke out all the little "coffee-pot" sawmills by attempting to impose on them the minute exactions of the code as would apply as to the larger mill units.

For instance, we have just a small no. 2 Lombard sawmill set up near our gin plant, with a 200-foot steam line to a 25-horse engine, yet I was told yesterday that if I operated 1 day with farm labor from our various farms, cutting our own logs, gotten out at spare wet times, with surplus farm labor, that I would be compelled to pay this ordinary pick-up labor 24 cents an hour for only 8 hours. This man further told me that I could not cut our own logs and our own cypress blocks to get lumber and shingles with which to patch up a bunch of rotten-down farm buildings unless I paid all this labor at code prices. Furthermore, that if I sold one piece I would be forced to sell it at the code prices.

For instance, we owe a big bunch of back taxes, and the county, of which I am a county commissioner, has agreed to take lumber for bridges on these back taxes at \$20 a thousand, yet this association says that if I do this and sell it for less than the code price of \$38, less 10 percent, that I would be liable to the Federal court for breaking the code.

Would you be good enough to give me all the information you have in regard to the working of this code as applies to us small, broke, rag-tail sawmill men who saw only when we can get enough of our surplus farm labor and poor farm mules to get out a few logs for a few days and then go and saw a few days? Is there anything fair about a plan to force us to come under the code just the same as a big sawmill man who has a large, well-trained organization to push his business?

I assure you that I will appreciate any information or suggestions that you may be able to give me.

Very truly yours,

V. E. DURDEN,
Member of Board of County
Commissioners of Emanuel County.

No group, including "Sawmill Code" Sheppard, who at a later meeting in Memphis, Tenn., continued to censure me, will be able to get the picture as painted by Mr. Durden by holding meetings on the tenth floor at the Raleigh Hotel in Washington and attending meetings at Memphis, Tenn.

You will also note Mr. Durden, like my people, is seeking information. The Southern Pine Association, instead of doing what I requested—give them information—sends them a letter, threatening to send them to Federal court. Listen to this:

LEXINGTON, S.C.

The writer is in receipt of a registered "notice of violation" dated October 14, from the Southern Pine Association, signed by its secretary-manager, in which it is stated that the association "has received information that I have violated the code of fair competition in the following premises: Minimum wage rate, maximum hours of labor."

The "notice" further states that "unless an immediate explanation of the foregoing charges is received by the Southern Pine Association, this matter will be handled through the district courts of the United States * * *."

I am 49 years of age, married, with a wife and 10 children to support. I was born and reared on the farm, and at an early age, in addition to farming, engaged with my brothers in sawmill operations. Later, in good times, with my brothers we were the Lexington Lumber Co., with a rather nice plant and equipment, located at Cayce, S.C. At that time we were members of the Southern Pine Association, and as such members our company paid them hundreds of dollars in fees. In 1926, during the period which was a forerunner of the depression, the Lexington Lumber Co. was put into the hands of the receivers by the banks, and as a result I lost practically everything I had accumulated. In an effort personally to recover, I continued by farming operations, on a much curtailed scale, and, with a small tractor mill, cut such timber always in small quantities as I could obtain, selling the entire output locally to the Columbia Lumber Co. and other local yards. I have managed to make a living for my family, but no profit whatever. In the operation of my three-horse farm, together with such milling operations as I could do, I have employed from five to eight men almost continuously, the farming operations being always the major activity. This labor, entirely colored, was with me in good times, and continued with me when the crash came. To such reasonable extent as conditions, prices, and times would permit, I have always endeavored to help them live. When hard times first struck this section I paid them, and they accepted gladly, a wage of 50 cents per day, and at that time could get any amount of labor of that class at that figure, but naturally I took care of those who were with me first. Whenever there came an advance in price of lumber I was able to manufacture, I gave my labor a corresponding increase in wage. When I was paying them 50 cents per day, lumber of the type I was cutting was selling from \$6.50 to \$8 per thousand; and when it advanced from \$8 to \$12 per thousand, I advanced the wage of my employees to 75 cents per day. We worked, whether the farm or at the mill, the average time for the farm day.

I want to know authoritatively if my small activities, under the circumstances and conditions that I have stated, are considered a breach of the provisions of the National Industrial Recovery Act. Of course, pending a ruling in this regard I have entirely suspended all sawmilling operations.

E. J. CORLEY.

You will note that Mr. Corley, on account of being threatened with Federal court, closed down his mill and his hands had to apply to the C.W.A. Mr. Corley states, "I want information." But he did not get it. Sheppard was too busy holding meetings at the Raleigh Hotel in Washington.

ECONOMIC IMPORTANCE OF THE SMALL SAWMILL

State	Population	Number of mills cutting over 25,000 feet per day	Feet cut by mills over 25,000 feet per day	Number of mills cutting under 25,000 feet per day	Total feet cut by mills under 25,000 feet per day
Alabama.....	2,636,248	26	494,957,000	1,277	846,667,000
Florida.....	1,468,211	26	506,862,000	230	279,182,000
Georgia.....	2,908,506	5	60,207,000	1,194	693,278,000
Louisiana.....	2,101,593	47	1,138,441,000	177	468,277,000
Mississippi.....	2,009,821	37	969,041,000	802	515,337,000
North Carolina.....	3,170,276	5	72,298,000	1,605	742,537,000
South Carolina.....	1,738,765	12	236,273,000	653	471,142,000
Texas.....	5,824,715	40	789,563,000	245	255,699,000
Virginia.....	2,421,851	3	59,554,000	1,164	435,935,000
Total.....	24,279,986	201	4,417,196,000	7,347	4,708,054,000

The economic value of this unit is worthy of the closest scrutiny and, because of its large place in the lives of the people of the South, demands the most thoughtful consideration of those charged with the responsibility of administering

the National Recovery Act. May we consider nine Southern States manufacturing southern pine, as follows: Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Texas, Virginia.

It is not generally known that during the year 1930 the production of lumber in these nine States reflected by the records of the Department of Commerce of the United States was in the proportions indicated by the above tabulation.

These data are taken from page 5, table no. 2, Forest Products, Department of Commerce statistics for 1930, the latest available Government information.

Of this total quantity of lumber, 4,417,196,000 feet were manufactured by 201 larger mills, whereas 4,708,054,000 feet were manufactured by 7,347 mills.

Actual experience has taught sawmill operators that the manufacture of 1,000 feet of lumber in the South requires the labor of approximately four men. The calculations just quoted point to the thought that the 201 large mills employed during the last 2 years 58,900 men, giving them approximately one third time during the year. On the other hand, the 7,347 small mills in the same territory, under the same line of reasoning, employed 62,774 men approximately one third time. The last census shows that the States in question were populated by approximately 24,279,986 people. Assuming that each of these sawmill workers had four dependents, the average family, the 7,347 small mills in these States during the year 1930 employed men who supported 313,870 people, whereas the 201 large mills employed men who supported only 294,500 people. It is readily seen that approximately 1.3 percent of the population of these nine States were supported by employees of the small mills discussed, whereas, approximately 1.2 percent of the population was supported by the 201 larger mills to which reference has been made.

Wages paid by small mills is a considerable factor in the well-being of the rural population of the nine States mentioned, all of which are essentially agricultural in their production.

The small mills in the South, large in number at this time, are affording employment to an army of people. Their continued operation is highly desirable on account of the fact that they are giving to a large section of the population a means of earning a livelihood. These small mills are converting timber, which for years has been passed by as of no value, into lumber. They are reducing such timber to cash, returning to farmers, small landowners, and others new money, as new capital, which would otherwise remain on the stump as a frozen asset, or no asset at all. The large sums paid by such mills to labor, to supply dealers, to timber owners, and others from whom they buy, keep alive no small part of the business fabric of the Nation. Factories in other sections of the country are afforded markets for their products in exchange for the moneys produced and distributed by these small mills. It is unthinkable that the Government can permit any scheme, or establishment of methods which would unfairly hamper, unrighteously oppress, or tyrannically prevent these small mills from the conduct of their business.

Disbursement of small mills cutting 2,136 feet per day, being approximate average production of 7,347 Southern small mills running full time.

	1 mill per day	7,347 mills per day	7,347 mills per year running 300 full days
1. Timber payments.....	\$8.54	\$62,743.38	\$18,823,014.00
2. Labor disbursements.....	16.40	120,523.71	36,157,113.00
3. Gasoline and oil purchases.....	2.71	19,910.37	5,973,111.00
4. Feed purchases.....	1.07	7,861.29	235,838.70
5. Machinery, mill supplies and equipment purchases.....	1.02	7,493.94	2,248,182.00
6. Freight paid on shipments at average of \$80 per carload.....	17.08	125,546.00	37,664,400.00
Total.....	46.82	344,078.69	101,101,658.70

1. This stumpage is paid to the timber owner, which he uses to pay debts, deposit to savings accounts, and part of which he spends, but all of which enters the channels of business and swells its volume.

2. This sum is paid to the laborer, who generally spends it all in the purchase of food, clothing, manufactured goods, recreation, or amusement.

3. This sum is paid to the filling station and oil companies, supporting large forces in that field.

4. All of this, of course, goes to the merchant, who, in turn, buys from the farmer the grain and hay for making feed.

5. All of this goes to the jobber and machinery manufacturer who, in turn, pays most of it back to labor.

6. This large sum swells the shrunken revenues of railroads and steamship companies and contributes largely to their support, enabling them to employ their skilled and high-priced labor, purchase manufactured goods, and otherwise contribute to the general welfare of the Nation.

Many small mills are not running because they do not have sufficient orders. Many of them are not cutting as much as their quotas allowed by the association because they have not the orders. Unlike the large mills, they cannot run unless they can move their lumber as produced. They have not the money to carry inventories and pile up stocks. They must sell their lumber as they produce it. When this cannot be done they close down.

Small mills and many mills of medium capacity do not have the high overhead costs of the large mills, which include such cost elements as sales departments, timber departments, advertising, management and administration, insurance, office expense, interest, taxes on timber supply for a long period of years, and depreciation on expensive plant and equipment. The difference in cost as between the two types of mills, taking into account this overhead item, will be as much as \$8 per thousand feet, or closely approximating that figure.

Furthermore, it is my firm conviction that the present fixed minimum price list would yield to large mills a substantial profit upon their average production. If the small-mill operator could sell his lumber on that list, certainly it would yield to him an exorbitant profit. If this statement is true, the present price list is not a cost-production set-up but rather a profit-protection machine, monopolistic in its effect and stifling to a recovery of building activity. It is unfair to the consumer and unjust to the manufacturer of lumber who has adjusted his business to a new cost basis in keeping with present values. Most small mills and mills of medium capacity are opposed to fixed prices. However, fixed prices are agreeable to those for whom we speak, provided they are not promulgated for the benefit of a few who have high investments in timber and plants, many of them made during the war period and after, when prices were high. It is questioned whether or not it is wise to protect those investments at the expense of the general public and those of the lumber-manufacturing industry who can produce on lower cost.

Small mills and mills of medium capacity in the South would like to have the Federal Government investigate these questions. Such an investigation would afford the upward of 7,000 small millmen in the South an opportunity to freely and frankly express themselves and would prove highly interesting and very enlightening. These small operators cannot spare the time or the money to visit Washington to tell their troubles. Furthermore, they lack the training for presenting the subject. The result is that they stay at home and permit the matter to smolder like a hidden fire until it bursts into flame, consuming and devastating.

My friends, in closing I want to say that I started life's work without a dollar in the world. I have had to go up against those blessed with riches and well-organized groups, both in business and in politics. And out of my experience I have developed a great desire to battle for the under dog. My record at home and my record in Congress has been along this line. The following poem expresses my sentiment:

THE UNDER DOG

I know that the world—that the great big world—
From the peasant up to the king.
Has a different tale from the tale I tell
And a different song to sing.

But for me, and I care not a single fig
If they say I'm wrong or I'm right;
I shall always go in for the weaker dog,
The under dog in the fight.

I know that the world—that the great big world—
Will never a moment stop
To see which dog may be in fault
But will shout for the dog on top.

But for me—I never will pause to ask
Which dog may be in the right;
For my heart will beat, while it beats at all,
For the under dog in the fight.

Perchance what I've said were better not said,
Or 'twere better I said it incog;
But with heart and with glass filled chock to the brim,
Here is luck to the bottom dog.

Mr. FULMER. Mr. Chairman, I ask unanimous consent to extend my remarks and place in the RECORD a few excerpts from letters, a telegram to General Johnson, and the letter that I wrote to these sawmills that Mr. Sheppard complained about.

The CHAIRMAN. Is there objection to the request of the gentleman from South Carolina?

There was no objection.

The pro forma amendment was withdrawn.

The Clerk read the third section of the bill.

Mr. BULWINKLE. Mr. Chairman, I rise to offer an amendment and to ask unanimous consent that this sentence in the bill be passed over until we come to the proper place to offer an amendment. The sentence I refer to is on page 9, line 9, "The term 'Commission' means the Federal Trade Commission." At the proper place in the bill I desire to offer an amendment striking out the words "Trade Commission" and inserting in lieu thereof "Stock Exchange Commission." I ask unanimous consent to pass over this sentence in the section until we come to the proper place in the bill on page 56.

Mr. BRITTEN. Reserving the right to object, this amendment will undoubtedly be the most important amendment to the bill and probably cause considerable debate.

Mr. RAYBURN. The gentleman from North Carolina simply wishes to preserve his rights.

Mr. O'CONNOR. Would not this be the practical working-out of it? If the gentleman's amendment is adopted later on, there would be no trouble in going back and making this part of the bill conform to it.

Mr. RAYBURN. I see no difficulty about that, and the gentleman from North Carolina simply wants to preserve his rights.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The Clerk read down to and including line 17, page 13.

Mr. RAYBURN. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. TAYLOR of Colorado, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee had had under consideration the bill H.R. 9323, the securities exchange bill, and had come to no resolution thereon.

EXTENSION OF REMARKS—H.R. 9323

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent that all Members who speak on the bill or on any amendment thereto may have 5 legislative days in which to extend their remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. SNYDER. Mr. Speaker and fellow colleagues, I favor a measure that will render service to the people of the Nation, such as the act now before us, termed the "National Securities Exchange Act of 1934."

I favor a measure that will aid in regulating the stock exchanges of the Nation, because 99.99 percent of the people in the United States favor such measure.

I favor such a measure because the stock-exchange people and big business generally realize that they must have some set-up by which they can regulate their business so as to assure stability and restore confidence in the markets of the Nation as well as of the world.

The stock-exchange market and big financial groups of the Nation announced to the world in 1929 that they themselves were no longer able to control the business which they themselves built up. They themselves threw up their hands and said, "We have failed to keep these, our gigantic institutions, under control."

Along about October 1929 we see them seated around the table here and there throughout the country, pulling their hair and scratching their heads, trying to find a quick solution to keep the structure they had built from crashing down on them and on all the millions who had invested their money in these institutions. They saw these institutions tottering under the great boulder of mismanagement.

Like a great oncoming cyclone in our Middle West, the managers and directors of these institutions saw the catastrophe coming. They realized that the millions, yes, billions, of worthless securities and watered stock, which had no real value whatever, would drive to ruin not only millions of individuals but thousands of mills and factories and institutions. Yes; they realized that the soap-bubble bonds and securities that they had sold to the innocent little bankers and others throughout the Nation would be worthless as soon as the crash came. Realizing all this, they themselves gathered in under their wings as much of the safe and sound securities as they could and then stood at a safe distance from the explosion and watched the terrific catastrophe of November 1929.

Mr. Speaker, the bad management and the lack of national laws for regulating the institutions that existed prior to these fatal days of 1929 put more old men, helpless widows, and retired farmers and merchants into their graves in the 3 years following 1929 than the total number of brave American boys that lost their lives on the battlefields during the World War.

Thousands and tens of thousands of honest, hard-working, God-fearing men and women, who had saved a meager few thousands and had put their trust in these institutions and in the men of these institutions, were sent to the almshouses and the poorhouses, or were thrust upon the charity of friends or relatives, because of the lack of management of the stock markets and the supposed security markets of our country.

Mr. Speaker, I am not here to say what percentage of these multiplied millions of worthless securities that were floating in our markets in 1929 was worthless because of the loopholes in our laws that made it possible for highway robbery to exist within the law, or what percentage of these securities was worthless because of bad management on the part of the workers and directors of the institutions.

However, one thing we the Members of Congress do know; one thing the opponents of this bill—some of them sitting in the gallery today—very well know; one thing the helpless millions of splendid citizens who have lost their money in closed banks know; one thing we all know, and that is that a government that permits institutions to spring up within its own borders that can no longer be controlled is a government that needs adjustment to protect its interests and its citizens.

My friends, the Nation should come to the rescue of the millions who innocently lost their money in the closed banks. Just how it is best for the Nation to proceed to do this, no one yet knows. I hope that a measure that will meet with the approval of Congress and the administration will be passed so we can pay back these innocent depositors.

It was because of insincerity, bad management, carelessness, indifference, lack of laws that regulate, incompetence on the part of managers and directors that some 29 of the 36 banks in one of my counties, Fayette County, Pa., closed their doors prior to March 4, 1933. Yes; they closed their doors, never to open. Hundreds and thousands of men and women, hundreds and thousands of boys and girls and school children, and scores of charity institutions and welfare institutions had their money snatched from them, as a thief would snatch your pocketbook.

Mr. Speaker, are we going to sit idly by as a great Nation, as members of Congress of a great Nation, and say to our people that institutions which are eating out the very vitals

of our Nation have grown to such proportions that we can no longer control them? I, for one, say, "No!" We can control, if we will, any and all the institutions in our country. We can control the banks so that the depositor will have safety; we can control the security markets of the Nation; we can control the stock exchanges of the Nation. My friends, if we are going to perpetuate the Jeffersonian principles embodied in our Constitution, we must regulate the management and manipulation of these institutions.

Then, again, I say, Government agencies must set up a procedure of regulations for these institutions, because big financial institutions and banking institutions demonstrated to us by both precept and example in 1929 that they could not control, regulate, and manage their own business.

I do not want to be misunderstood; I do not want to see a set-up in our banking institutions, for instance, that would make it possible for some group of know-nothing investigators or so-called "Government officials or experts" to go in and upset the workings or management of a mill, a factory, a mine, or a bank. That is not the intent or the purpose of this measure. The intent and the purpose of this measure is to take out of institutions that group of know-nothings and bad managers and keep them out.

Nevertheless, everybody now realizes that the group that has been managing and planning our social and economic set-ups for the last 12 or 15 years has been an utter failure. There is not a red-blooded American of 25 years of age under the sound of my voice that would not be ashamed to hand to our posterity the present social and economic fabric that we and those who had charge of the reins of Government before us are responsible for. Our grandfathers handed to our fathers practically no bonded indebtedness and financial hang-overs. Our fathers handed to us, who are now old enough to have the reins of Government in our hands, a very small mortgaged, or bonded, indebtedness. But, my friends, if we do not adjust this financial and economic structure of ours, we will hang about our children's necks, and our great-grandchildren's necks, the millstones of financial burden that will cause them to rightly point the finger of contempt at the pages of history that tell of us as unreliable and incapable managers of what was justly their heritage.

Mr. CARPENTER of Kansas. Mr. Speaker, I wish to state that among the most important matters of legislation affecting the economic welfare of this country, in my judgment, are:

First. Tariff legislation that will enable us to resume our trading with the rest of the world.

Second. Legislation that will give us an expansion of the currency wherein we will have an adequate but sound medium of exchange, and I believe this can best come about through remonetization of silver, which will give us a medium of exchange to trade with that part of the world that has only silver with which to purchase our products.

Third. The legislation as provided in the Securities Exchange Act of 1934, known as the "Fletcher-Rayburn bill", the object of which is to prohibit pure speculation in securities and commodities and to prohibit a creating of a false or misleading appearance of active trading in any security registered on the national stock exchange and prohibit transactions which involve no change in the beneficial ownership of such security.

While I believe it is proper to have legitimate markets for our agricultural products and other commodities, yet the welfare of the whole public should not rest upon the operations of the gamblers upon our stock and market exchanges. The farmer who has raised his products in the sweat of his brow has been at the mercy of these gamblers. This need of such legislation has been recognized for a long time, and the Fletcher-Rayburn bill endorsed by President Roosevelt is the first sincere step in the direction of eliminating these corrupt practices. Of course, this monster that has had this Nation by the throat these many years is not going to give up without a fight and a struggle. However, they are going to have a difficult time in obtaining any sympathy from the people of the country when it is revealed that from 1928 to and including 1933 the Wall Street brokers were making

money to the tune of two thousand million dollars, while their customers lost sixty-five thousand million dollars. With the suggested tariff legislation, expansion of the currency, and proper stock-market legislation the depression can be cured, and agriculture, which must be prosperous if the rest of the country is to be prosperous, and business in general will again be put on their feet without any artificial stimulants in the form of processing taxes or regimentation.

Mr. EDMONDS. Mr. Speaker, we have now arrived at the crossroads; and when we attempt to put into effect any new legislation, it will be necessary to "stop, look, and listen", and not only consider the particular accomplishment we expect to attain by the act before us, but also to heed what will be the effect of placing such legislation into operation upon the general business of the country. Last spring in rapid order we surrendered our legislative functions to a lot of commissions, which were clothed with all the powers necessary to legislate for us, and carry out measures which we defined in general terms, and upon which almost any construction these commissions desired to place could be made by them as there were very few limitations in the bills.

The result has been entirely contrary to our expectations, and would be fairly exemplified by the man who hit a drowning man on the head with a club in order to save him.

What we intended to do was to provide work for the unemployed; to do this it was necessary, among other things, to restore confidence so that business would resume its ordinary course; when we started our session, the public were ready to assist, as everyone realized the situation; but what happened was that when by a united revived spirit we were moving upward, the placing into operation of the legislation we passed caused so much trouble and confusion that our apparent advance was only for a short period, and again trade fell back under a cloud of misunderstanding and doubt and has not since then shown the material advance that has been evident in other nations who have not interfered in their national progress with strange cures and quack remedies.

Undoubtedly there are many things that need curing, but a sick patient cannot afford to chance playing with the cures and remedies; they should be reserved for people who imagine they are sick. What we now want is confidence that we can go ahead without any new doctrines to hinder our advancement; only such things as will assist that progress should be receiving our attention. This bill may be needed, and in ordinary times I would give it serious consideration; passage today means another halt in our progress of relieving unemployment, and I am not prepared to play with human misery any longer by placing a stumbling block in its way.

Mr. DIRKSEN. Mr. Speaker, the market panic of 1929, which supposedly precipitated the present depression, has all through the debate been treated as a cause rather than an effect. I cannot agree with that logic. First, let us remember that stock exchanges are but so much machinery by which the speculative fever of the Nation is registered. This machinery was but reflecting the hysteria and the desires that imbued our Nation immediately after the war. I contend and have always contended that the slaughter of 11,000,000 men, who were both producers and consumers in a well-integrated society, together with the \$250,000,000,000 waste of the world's wealth and the overexpansion that took place in all lines of industry, business, and agriculture as an incident to the war, was the cause not only of the stock-market debacle of 1929 but of all the despair and distress that has been the lot of this and of all other nations during the last 5 years. Unless we shall witness another war of astronomical proportions, I do not anticipate another market crash such as that.

In that spirit, we might well put aside all prejudices and all vindictiveness in the consideration of the pending bill.

I have no personal interest in the stock market. I never bought or sold a share of stock in my existence. My sympathies would naturally be on the side that would seek to exercise the most rigid control over market operations

in order to safeguard the public welfare of all present and future investors, but above all else, we as legislators must be most discriminating and careful, to see that the crusading zeal to reform something or someone does not defeat its own purpose and bring havoc upon the country.

To those who could see no good in the stock and commodity exchanges, let me quote from the language of United States Supreme Court Justice Holmes, in the celebrated Board of Trade case:

The plaintiff's chamber of commerce is, in the first place, a great market, where through its 1,800 members, is transacted a large part of the grain and provision business of the world. Of course, in a modern market, contracts are not confined to sales for immediate delivery. People will endeavor to forecast the future and to make agreements according to their prophecy. Speculation of this kind by competent men is the self-adjustment of society to the probable. Its value is well known as a means of avoiding or mitigating catastrophes, equalizing prices, and providing for periods of want. It is true that the success of the strong induces imitation by the weak and that incompetent persons bring themselves to ruin by undertaking to speculate in their turn. But legislatures and courts, generally, have recognized that the natural evolutions of a complex society are to be touched only with a cautious hand, and that such coarse attempts at a remedy for the waste incident to every social function as a simple prohibition and laws to stop its being are harmful and vain. The court has upheld sales of stock for future delivery and the substitutions of parties provided for by rules of the Chicago Stock Exchange.

These words are from the mind of one of the world's most enlightened and socially minded jurists and are a sufficient answer to those who would entirely abolish the exchanges or who approach this question of control and regulation in a vindictive spirit.

No one will deny that there should be some form of regulation. Even the attorneys for the various exchanges who appeared before the committee made overt admissions of that fact. Most of the general debate was directed to the abuses of speculation and the excessive use of credit, but thus far, little has been said or made emphatic as to whether this is the proper bill to accomplish that purpose.

When the Securities Act of 1933 came before this body for consideration, I distinctly recall that much of the same argument was advanced in behalf of that bill that is now advanced in behalf of the pending measure. The reform phobia was in the air. Most of us not only voted for it but defended it later. We placed little credence in the prophecy that that act would curtail financing, would retard employment and hamper recovery. Hindsight is, of course, much easier than foresight, but we can see now that those prophecies have in part at least become realities. Financing in the capital or durable-goods industries for the fiscal year is only about 4 percent of what it was in the normal years from 1921 to 1929, and unemployment in such durable-goods industries is about 8,000,000 persons. Money is available for investment in such industries so that despairing, unemployed men might go back to work, but that Securities Act has, in truth and in fact, by its penal and civil liability provisions, frightened competent and skilled security men, and as a result there is stagnation. Now, we are considering a companion bill, and I propose to weigh every consideration carefully before I undertake by my vote to further impede the progress of recovery. I shall try not to permit the zeal of a reformer to becloud my best judgment and visit further punishment upon our unemployed in the form of stagnation in industry.

Let us assume, then, that control and regulation is needed and wanted. The incident questions which follow are these: Is this the proper kind of a bill? Does it go too far? Do we need it now? Might we invite disaster by further tinkering at this time?

In his opening statement on Monday the distinguished chairman of the committee mentioned the propaganda that accompanied the consideration of this bill in committee. The inference was that the speculators were trying to defeat or alter the provisions of the bill. That may or may not be true. In any event, I returned to my office to examine again the hundreds of letters and telegrams that were sent with respect to this measure. Some gave evidence of having

been inspired by outside influences. In the main, however, the letters and telegrams were so well conceived, the subject matter so well presented, and the discussion of the merits of the first bill so well set forth as to evince a proper understanding of its basic purposes. It is amazing, too, to note that not a single message came to me in support of this bill. I know nothing of stock exchanges, but I do know something about the capabilities, the temper, the integrity, and the perception of my people; and I purpose to give every consideration to their wishes.

I have labored with this bill day after day and night after night. Everyone will concede that its language is technical, that it is difficult to follow in all its ramifications, that it would not be strange if different interpretations were placed upon its purport and meaning. Permit me, then, to present my objections to this bill in its present form and to what I am afraid might be its immediate effect.

Yesterday the Federal Reserve report of member banks, comprising about one half of the banking facilities of the country, showed a drop in commercial loans of 19 million. In the previous week, the drop was 75 million. Compare this successive 2 weeks' decrease with the previous 3 weeks in which an aggregate increase of 55 million in commercial loans was indicated. Everybody hoped that bank-credit expansion was on the way, but the losses of the last 2 weeks have entirely vitiated the gains of the previous 3 weeks.

In the light of the fact that there are now one and a half billion in excess reserves and that the immense gold reserves would permit credit expansion of unlimited proportions, this diminution of loans was estimated at \$4,604,000,000 which is actually \$99,000,000 less than a year ago. Loans on securities as of April 25 were \$3,516,000,000, which is \$122,000,000 less than 1 year ago. Remembering that 1 year ago the Nation was at its lowest ebb, the fact that all loans, including security loans, is around \$100,000,000 less than at that time. The conclusion is obvious that in addition to the restrictions imposed by the F.D.I.C., the Banking Act, and other measures, there is a distinct fear and apprehension in the air which continues to freeze bank credit. This is singular enough in the light of the clamor that has been going up for weeks for legislation, such as the Glass bill or the credit industry bill to expand bank and investment credit.

Here we have a bill to do what? By its very language to control credit, to curtail the excessive use of credit, to offset what will be attempted later in some kind of credit measure, and the psychological effect on the Nation might be disquieting indeed. Has anyone advanced a reason why this particular bill should be enacted at this time? Is a boom at hand that needs curbing before it is born? By such measures as this that boom may die aborning. I wish I shared the optimism that foresees an immediate boom, particularly when relief rolls are heavier and unemployment greater than it has been at any time since last October. Conceding that there is an upward momentum in business, the stability of such momentum is precarious enough, and why imperil it by a bill that is overly drastic?

Section 5 of this bill provides in substance that exchanges must agree to comply with and agree to enforce compliance by its members with the provisions of this act, and "any amendments thereto and any rule or regulation made thereunder." Considering that the act carries a penalty of \$10,000 or 2 years' imprisonment, or both, for an individual violation, and a maximum of \$500,000 for a violation by an exchange, it is strange, indeed, that exchanges and individuals and corporations may become liable to the penal provisions of this bill as the result of rules and regulations made after its enactment by the Federal Trade Commission or the Federal Reserve Board. Business might well shudder at the future implications of such a measure.

Section 6 sets forth the loan-margin provision. In the first part of the section a yardstick is provided. Loans up to 55 percent of the current market price may be made; or the member of the exchange, dealer, or broker who operates through a member may elect the other provision, if it is higher, namely, 100 percent of the lowest market price of the security during the last 36 months, but not more than

75 percent of the current market price, the lowest market price for the last 36 months to be considered as the lowest market price since July 1, 1933. Now, note the next paragraph. It states that, notwithstanding the above provisions, the Federal Reserve Board may raise or lower as it may deem appropriate. If that be the case, why have a yardstick at all? Why have rigid margin requirements anyway, if they can be ignored or set aside by the Federal Reserve Board? If this is to be a flexible bill, why not exhibit consistency and eliminate all rigid margin requirements?

Paragraph (c) of the same section states that it shall be unlawful for a member of the exchange, or for a broker or dealer who transacts through a member, to arrange or extend credit to a customer on any registered security except in accordance with the prescribed rules and regulations. It excludes exempted securities, which include Government and State and municipal obligations. Now, subsection (2), when read in connection with the above context, makes it unlawful to extend or arrange customer credit without collateral, or on any collateral other than registered or exempted securities except as prescribed by the Federal Reserve Board; and the only discretionary power of the Board is to permit credits on other collateral for a limited time under specified conditions, or to permit it if such credit is not to be used for purchasing or carrying registered securities.

That language is rather involved, but as I interpret it, I see some rather dangerous implications. Taking out registered and exempted securities, there remain the unlisted securities. Bear in mind that there are only 788 securities registered on the New York exchange, perhaps 500 on the Chicago exchange, and in similar proportion on the other exchanges. Then what about the thousands of unlisted securities that corporations in your district and mine have issued? Apparently these securities cannot be used as collateral in brokerage transactions if the purpose is to carry or trade in listed securities. Apparently no credit can be extended by a member or by a broker or dealer operating through a member except in accordance with rules and regulations made by the Federal Reserve Board. What about the rights of the hundreds of investment houses who now operate as brokers and dealers under a code of fair practice? If they must be subject to the special rules and regulations of the Federal Reserve Board, you are placing in the hands of that Board a weapon by which they can ultimately exercise complete control over all unlisted corporate securities and ultimately concentrate security transactions in the hands of a few and, incidentally thereto, control and regiment all business in this country.

Section 8 of the bill deals with manipulation of security prices and rather meticulously sets out what would be false or misleading statements on the part of a dealer, broker, or member for the purpose of creating a misapprehension as to the market or to the price for a security. While some such provision is doubtless necessary, these and subsequent provisions induce the question as to just what advice a member, dealer, or broker might safely give to a client without laying himself open to possible charges that might invoke the penal provisions of the bill. While the prospect of blackmail suits may be remote, yet the possibility is there and carries with it that strange fear that will bring about a reluctance to give advice even on the soundest securities.

Paragraph (e) of section 10 directs the Commission to make a study of the feasibility of the complete divorcement of the functions of dealer and broker. The very fact that this direction is given to the Commission indicates that such report will be made back to Congress; and if the recommendation is consonant with the rest of the bill, it means that these functions will be divorced. There are hundreds of individuals and small firms all over the country who operate as dealers and brokers. They perform a very useful and necessary service. In the main they are citizens of repute and standing and quite competent to carry on these functions. They have heavy investments in their various establishments and employ a number of people. If and when these functions are divorced, you will find that these little dealer-brokers cannot carry on in only one capacity and maintain their establishments. It will mean the disintegra-

tion of these many establishments, more unemployment, without any particular gain for or improvement in the safety or welfare of the average investor. Yet the way to this disastrous consequence is pointed out, and I assume that in due time it will be followed.

Paragraph (e) of section 11 provides that the Commission "may" by rules and regulations permit listed securities to be registered before July 1, 1935, without complying with the other provisions of the section relating to the registration of securities. Why should not this language be changed from "may" to "shall"? Why permit such uncertainty with respect to listed securities to rest in the whims and caprices of the Commission? To insist on compliance with the other provisions of that section means expense, time, and legal fees. It means uncertainty and confusion. It means that the burden of proof might be placed upon the corporation rather than upon the Commission. I see no reason why there should not be a virtual automatic registration of listed securities in the absence of some affirmative showing on the part of the Commission.

Section 13 dealing with proxies would make it unlawful to solicit proxies with respect to any registered security except in conformity with such rules and regulations as the Commission may prescribe. There is little doubt that there has been grave abuse of this authority to solicit proxies and the use of such proxies for manipulation. The American Tobacco Co. case is a historic example. These abuses should be curbed, but why subject corporations and their officers to the uncertainty of such rules and regulations as the Commission may prescribe, in what they deem to be the public interest. Is it asking too much to have these matters definitely set out in the law so that the business and industry of the country know their rights instead of being at the mercy of any rule or regulation that a Commission may wish to prescribe. Incidentally, these rules and regulations by the language of the act have all the force and authority of law, and a violation thereof constitutes a penal offense. This Congress has passed much legislation of a similar character, and it is time that a halt be called. If the Congress was properly charged with abdicating its legislative functions in previous measures, how much more true that charge will be if and when this bill passes.

I should not feel disposed to object to section 15 of the bill if it applied only to officers and directors of the issuer of a security, because such officers and directors are in the position of offerors to the investing public. But the section goes much further. It provides that every person who is, directly or indirectly, the beneficial holder of 5 percent or more of any class of security must file with the exchange, within 10 days after he becomes the holder or owner of such beneficial interest, a statement showing his interest and his holdings. A duplicate must be filed with the Commission.

That is not all. Within 10 days after the end of every calendar month, he must file a similar statement, showing any changes in his holdings if any. Let us take a concrete example. On smaller exchanges, it is quite common to list small issues. In the case of an issue of one half million dollars, the owner of 5 percent, or \$25,000 worth of such securities must file a report every month, year in and year out that he is the owner of such securities. All information with respect to the entire issue has already been fully disclosed under the registration requirements; the records of the corporation are available; there can be no argument that income, dividend, or capital-stock taxes will be evaded, and it would seem that the Commission would be imposing an unnecessary burden and hardship upon the holders of only 5 percent of a class of securities. Had the amount been set at 20 percent, there might have been more logic about it, but as the section now stands, it can at best be but an intolerable burden, without serving any public interest.

Let me raise this point with respect to foreign securities. I understand that about 8 billion of foreign securities are listed on the exchanges of this country. Suppose the brokers, the issuers, and dealers refuse to register these securities and trading therein is reduced or suspended—you at once

affect the marketability of those securities and by so doing might easily precipitate a disastrous decline and thereby penalize thousands of American investors. If and when this is done, do you really secure control over such foreign securities? Is there anything to prevent independent dealers from marketing such securities direct and thereby achieving a distinct advantage over our own securities?

The matter is brought sharply to mind by an advertisement which is clipped from April 8 edition of the New York Herald, which reads as follows:

Union of Soviet Socialist Republics 7-percent gold bonds. The State bank of the Union of Soviet Socialist Republics with a gold reserve in the note-issue department of \$704,000,000 agrees to repurchase these bonds on demand of the holder at par and accrued interest at any time after 1 year from date of purchase. * * * Circular H-9 upon request. Soviet American Securities Corporation, 30 Broad Street, New York, Hanover 2-5332.

Nothing is said about exchanges. Nothing is said about being a listed security in this case. Apparently they operate direct to the customer. The language of section 29 is such that such transactions are not unlawful, inasmuch as it is not a transaction on any exchange, and it occurs to me that this but points out what may happen under a bill so drastic as this, namely, circumvention and bootlegging of securities.

Let me once more make my position clear on this measure. I believe that regulation and control is needed, and I shall vote to recommit this bill with instructions to report H.R. 8575, known as the "Bulwinkle bill." The fact is conceded by the exchanges themselves. There has, however, been no affirmative showing that so drastic a measure, which virtually vests control of all corporate enterprise in this country in the Federal Trade Commission is necessary. There has been no showing that it is necessary at this time. I am for regulation but not for strangulation. Above all else, as I survey the mounting relief rolls, the growing roster of unemployment, the fears and apprehensions of business, and the immediate response of the business and industrial fabric to the slightest prejudicial factors, I am constrained to vote against this bill out of fear. Not fear inspired by any stock-exchange propaganda, not fear of the consequences of my vote, but a self-inspired fear that a vote in behalf of this bill, at this time, may be the signal for further recessions in business, further declines in the market, further sympathetic declines in the grain market, and fear that more people will be added to the long and despairing queues of unemployed.

The original stock-exchange regulation bill which was prepared as the result of the studies made by a commission appointed by Mr. Roper, the Secretary of Commerce in the present administration, seemed to be a most satisfactory bill. It contained everything necessary for a proper control and regulation of the exchanges and for the elimination of the current abuses in trading practice. It is evident from the discussion that has taken place during the last 4 days that that bill was not sufficiently drastic and that the committee, aided by Mr. Cohen and Mr. Corcoran, then perfected the present bill.

When this matter is finally concluded on the floor and the measures come to a vote, it will not be a case of voting for or against a measure to regulate and control exchanges. Rather, it will be a case of voting for or against one of two bills which seek to achieve that purpose—the one known as the "Bulwinkle bill", which will be offered under a motion to recommit the present bill to the committee with instructions to strike out all matter after the enacting clause and substitute the Bulwinkle bill; the other, the bill now under consideration.

I shall vote for the motion to recommit and to substitute the Bulwinkle bill. I shall vote against the pending measure because it will amount to a complete regimentation of corporate business in this country through the Federal Reserve Board and the Federal Trade Commission.

It is a bit intriguing to reflect back on the debates and discussions that have occurred on the floor of this House during the Seventy-third Congress, in which the Federal Reserve System and the Federal Reserve Board have been attacked

and maligned in no uncertain language. It has been characterized as a great strangling octopus. It has been the subject of impeachment resolutions. Its officers and directors have been pointed out as money changers, still operating in the temple, and who must be driven out under the legislative lash. All that seems now forgotten, and instead of curtailing the powers of the Board, this bill seeks to hand over to it complete authority to determine margins, credits, banking control, and everything else. I wonder how those who have been content to discharge their oratorical ammunition against the Federal Reserve Board and Federal Reserve System will vote on this bill. It only proves that fish may be fish one day and fowl the next, depending upon the point of view. All in all, it is a strange world.

AIR-MAIL LAWS

Mr. BANKHEAD, from the Committee on Rules, reported the following resolution, which was referred to the House Calendar and ordered printed.

House Resolution 373 (Rept. No. 1444)

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of S. 3170, an act to revise air-mail laws; that after general debate, which shall be confined to the bill and shall continue not to exceed 1 hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on the Post Office and Post Roads, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit, with or without instructions.

TERMINAL RAILWAY POST OFFICE

Mr. BANKHEAD, from the Committee on Rules, reported the following resolution, which was referred to the House Calendar and ordered printed:

House Resolution 372 (Rept. No. 1443)

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of H.R. 9392, a bill to reclassify terminal railway post offices; that after general debate, which shall be confined to the bill and shall continue not to exceed 1 hour, to be equally divided and controlled by the Chairman and ranking minority member of the Committee on the Post Office and Post Roads, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion, except one motion to recommit, with or without instructions.

LOANS TO INDUSTRY

Mr. CULKIN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. CULKIN. Mr. Speaker, the most important duty facing Congress before adjournment is to provide for loans to manufacturing industry. Unless this is done the depression will continue indefinitely. We have approximately 200,000 plants in the United States, producing under normal conditions \$70,000,000,000 worth of manufactured products and paying over \$12,000,000,000 in wages. Practically all the unemployment in the United States is due to the inability of these manufacturing industries to operate. This in turn is largely due to their lack of working capital, for the ordinary sources of credit have been dried up during the past 4 years. The banks have become liquid but have been afraid to loan, fearing a recurrence of the financial storm.

In justice to the banks, it should be stated they have a definite alibi in this situation. The policy of the Treasury, through the itinerant bank examiner, has been to insist that the banks be and remain liquid. Throughout the Nation bank examiners discourage and question loans to local industry. Thus they handicap the local bank in making loans to going concerns, upon whose operation the life of

the various communities depend. This policy of the Treasury is, in my opinion, unwise and largely responsible for the inability of solvent industry to obtain seasonal and working capital.

NOTHING DONE FOR INDUSTRY

But the fact remains that nothing has been done for manufacturing industry, big and small, upon which economic recovery of the country depends. The condition of the farmer is largely due to the fact that the worker is without employment and unable to purchase the products of the farm. In addition to the inability to obtain credit through the ordinary sources, the Securities Act has prevented the sale of industrial securities. As a result solvent and efficient industry has been unable to obtain loans for operating purposes.

I believe that the Securities Act should be amended so that legitimate industry may find a ready market for its bonds and the sale of its stock. I am in thorough sympathy with the spirit of the Securities Act. I voted for it in the House but believe there should be some modification now so that the large industrialist can do his financing in this way.

This type of relief, however, will not aid the small industrialist. The usual avenues of credit being closed, he must necessarily rely upon some form of governmental loan. I desire to emphatically state that it should be a loan and not in any sense a gift.

PRESIDENT ROOSEVELT IS FOR IT

President Roosevelt recognizes the importance of relief to industry. It is a fair inference that he concurs in the proposition that the return to work of 10,000,000 citizens who are as yet unemployed is largely dependent upon this procedure. It is stated in the press that he has concurred in the plan of Senator GLASS, of Virginia, which would permit Reserve banks to make loans direct to industry and then only under extraordinary circumstances where the normal credit facilities were not available.

In my judgment this procedure and plan is utterly unworkable. It not only leaves us where we are now but, being an ostensible cure for the conditions existing, it complicates the passage of effective legislation.

I am definitely in favor of the plan suggested by Senator BARKLEY (Democrat), of Kentucky, who advocates giving the Reconstruction Finance Corporation almost unlimited authority to make 5-year loans to industry as a supplement to the Glass bill. I agree with Senator BARKLEY that the Glass bill is too hedged about with restrictions to meet the situation. It is undoubtedly true that big industries, which are national in their scope, could operate under the Glass bill, but the background of industry consists of the small concern upon which the people of the average community depend. They would have no place in the sun unless the plan proposed by Senator BARKLEY obtains. In other words, Congress at this time should pass legislation which will enable the Government itself to function where the banks are unable or unwilling to play their customary part. All of the present remedies and procedure intended to bring about recovery will absolutely fail unless this is done.

PROSPERITY MUST COME THROUGH INDUSTRY

Industry is asked to bear the brunt of reestablishing prosperity through the medium of shorter hours and higher wages, yet the Government has to date allowed the sources of credit to dry up and has done nothing for the industrialist. No makeshift statute which will continue the existing situation or policy toward loans should be passed by Congress. I predict that Congress, before the present session adjourns, through a Federal instrumentality or other definite law, will prescribe a place where solvent industry may go and obtain necessary loans to carry on business. This procedure has been too long delayed and is in the interests not only of the industrialists who have builded America, but the toiler in the plants and his dependents, many of whom are now being carried on the welfare rolls or in nonproductive occupations.

THE NEW AND THE OLD McLEOD BILLS

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD to include a table in regard to the suspension of banks.

The SPEAKER. Is there objection?

There was no objection.

Mr. PATMAN. Mr. Speaker, H.R. 8479 was introduced in the House of Representatives by Mr. McLEOD, of Michigan, March 5, 1934. According to the bill it has for its purpose:

(a) To promote resumption of industrial activity.

(b) Increase employment.

(c) Restore confidence by fulfillment of the implied guaranty by the United States Government of deposit safety in national banks.

It requires the Reconstruction Finance Corporation to purchase and acquire from receivers and/or conservators of closed banks which at the date of closing were members of the Federal Reserve System, all remaining assets of such banks. The amount paid shall be a sufficient amount to pay in full the deposit liability of such closed banks, and the funds shall be immediately disbursed to the depositors of such banks. It further provides that assessment liability of stockholders shall be construed an asset and purchased the same as other assets.

THE NEW BILL

The bill was amended by the Committee on Banking and Currency. All after the enacting clause was stricken out and another bill inserted, which provides:

First. That all banks, National, State, and private, which closed on or after January 1, 1930, shall be included.

Second. All deposits not in excess of \$2,500 shall be paid.

This bill was favorably reported to the House April 12, 1934.

MOTION TO DISCHARGE THE RULES COMMITTEE

A motion has been placed on the Clerk's desk for the purpose of discharging the Committee on Rules from further consideration of a rule which has for its purpose the granting of a privileged status of the bill before the House. I am reliably informed that the Committee on Rules has never been requested by anyone to grant a hearing on the proposal, yet a petition is filed to discharge the committee. If 145 Members of the House sign the motion to discharge, the rule will come up for consideration on a second or fourth Monday, provided the 145 names were secured 7 legislative days prior thereto. If it comes up, the question will be, Shall the Rules Committee be discharged from further consideration of the rule?

If a majority vote to discharge the committee, then the question will be, Shall the rule be adopted? If a majority vote to adopt the rule, then it will be in order for someone to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the purpose of considering the bill. If that motion carries, the bill will be considered under the special rule of the House and be subject to amendments.

BILL WITHOUT A GOOD PRINCIPLE

Since the bill does not embody a good principle I do not feel disposed to do anything in furtherance of its consideration. If it contained a single good principle, possibly it would be consistent for me to assist in the movement to get it to the floor in the hope that it might be amended. Its passage would set a very bad precedent, a precedent that could never be defended, and one that would doubtless cause our Government much trouble in the future.

WHY SAY JANUARY 1, 1930?

Why is it right for the Government to pay the losses of all depositors of banks since January 1, 1930, and not right to include 1929, 1928, or even back to 1920? Are not the depositors of banks that closed in 1929 entitled to just as much consideration as the ones of the banks that closed in 1930? I am inserting herewith a statement showing all bank suspensions since 1920. It was obtained from the office of the Comptroller of the Currency.

All bank suspensions since Jan. 1, 1921

Year and month	Number				Deposits (in thousands of dollars)			
	All banks	National	State members	Non-members	All banks	National	State members	Non-members
1921.....	501	51	19	431	196,460	21,285	21,218	153,957
1922.....	354	45	12	297	110,721	19,092	5,151	86,478
1923.....	648	90	34	524	188,701	32,904	18,324	137,473
1924.....	776	122	37	617	213,338	60,889	13,580	138,869
1925.....	612	118	28	466	172,900	58,537	8,727	105,636
1926.....	956	125	35	796	272,488	47,866	20,946	203,676
1927.....	662	91	33	538	193,891	45,581	19,755	127,555
1928.....	491	57	16	418	138,642	31,619	10,621	96,402
1929.....	642	64	17	561	234,532	37,007	20,128	177,397
1930.....	1,345	161	26	1,158	864,715	173,290	207,150	484,275
1931.....	2,298	409	108	1,781	1,691,510	439,171	294,357	957,982
1932.....	1,456	276	55	1,125	715,626	214,150	55,153	446,323
1933:								
January.....	342	74	13	255	218,867	63,482	10,873	144,512
February.....	121	24	6	90	57,266	17,127	8,427	31,712
March.....	46	7	—	39	14,700	4,484	—	10,216
April.....	74	6	5	63	31,613	2,634	11,887	17,092
May.....	82	14	6	62	34,370	6,263	1,237	26,870
June.....	151	44	4	103	132,661	42,555	7,589	82,517
July.....	132	20	4	108	48,743	17,722	1,769	29,252
August.....	85	17	2	66	29,513	11,075	798	17,640
September.....	67	12	4	51	13,508	2,980	1,725	8,803
October.....	102	20	—	82	20,092	6,209	—	13,883
November.....	93	19	6	68	43,319	26,224	3,355	13,737
December.....	161	19	5	137	70,914	13,395	7,490	50,029
1933:								
January.....	242	44	15	183	134,202	55,138	14,394	63,870
February.....	154	20	7	127	64,529	15,864	7,239	41,426

Banks suspended: The statistics of bank suspensions relate to banks closed to the public either temporarily or permanently, on account of financial difficulties, by order of supervisory authorities or directors of the bank. They do not include banks closed temporarily under special or "moratorium" holidays declared by civil authorities.

Deposits: Figures of deposits in banks suspended are as of date of suspension whenever data as of this date are available; otherwise they are as of the latest available call date prior to suspension.

WHY INCLUDE STATE AND PRIVATE BANKS?

Is there an implied guaranty by the United States Government to depositors of State and private banks? The Government had nothing to do with their operations. It had no more control over them than it did the building and loan companies, the life-insurance companies, the joint-stock land banks, the savings banks, or any other similar institution. If the losses are to be paid by the Government to the depositors of private banks or State banks the same fallacious arguments used to secure the passage of a law to pay them can be used in support of an argument to pay the losses by reason of the failure of all the other similar institutions, and over which the Government had just as much control as it had over State and private banks.

It is said that such payments will promote resumption of industrial activity. If Congress wants to give money away for that purpose why should the depositors in banks be the special beneficiaries? Such depositors of closed national banks are already getting from 60 percent to 70 percent of their deposits. Very few people are receiving more than that percentage on investments made at the same time the deposits were made. If the Government owed them a penny I would vote for its payment, but I first want to be shown that the Government is liable.

It is said that such payments will increase employment. Yes; possibly it will; but why should the Government pay money to depositors that it does not owe money to in order to increase employment? The money can be spent by the Government in many other ways that will be more helpful from the standpoint of increasing employment.

Therefore the only contention left is that the Government is liable by reason of an implied guaranty. Many of these banks failed because they were burglarized from the inside. The officials are serving time in penal institutions for the crimes. Has the Government an implied guaranty to pay the depositors in such cases? In many cases the officials of the banks, themselves depositors, loaned the money to themselves and lost it in various ways. There is not an implied guaranty in such a case or in any case that is affected by this bill. The adoption of such a policy, as pointed out by the Secretary of the Treasury, would be equal to guaranteeing deposits of the past, present, and future. There would be no need for the deposit insurance law.

WHO IS SUPPORTING THIS BILL?

This bill is supported by the Republican Members of the House. Very few Democrats are supporting it, and it is opposed by the President of the United States.

This bill represents a fair example of the kind of legislation that the Republicans have in mind to restore the country. It embodies the same kind of bad principles heretofore advocated by the Republican Party. Most of the money will go to the rich, if the McLeod bill in its original form becomes law; and, since we are dealing with property rights, there is no reason why the \$32,000,000 depositor should not be paid, if the \$2,500 depositor is paid on the theory that the Government is liable on an implied guaranty. The Republican Party is always willing to give the poor \$1 to every \$100 given to the rich.

COMPLIMENT TO MR. HOOVER

The Republican Members of the House are afforded an opportunity, through their advocacy of this legislation, to compliment their former chief, Mr. Hoover, and their former Secretary of the Treasury, Mr. Mills, by pretending that depositors acted on their advice given in speeches against hoarding. These speeches were made in February and March 1932. Instead of deposits in banks increasing, the depositors of banks actually withdrew about \$4,000,000,000 of their funds very shortly thereafter.

DISCRIMINATION IN HOUSE RESTAURANT

Pursuant to the provisions of House Resolution 236, the Chair appointed as members provided for therein the following Members of the House: Mr. MILLER, Mr. WALTER, Mr. WHITE, Mr. McFADDEN, and Mr. MOYNIHAN of Illinois.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. WOOD of Georgia, indefinitely, on account of death in family.

To Mr. FARLEY, for 5 days, on account of important business.

To Mr. TAYLOR of Tennessee, indefinitely, on account of illness of his mother.

CONTINGENT EXPENSES OF THE SENATE

Mr. BUCHANAN. Mr. Speaker, I ask unanimous consent to take from the Speaker's table Senate Concurrent Resolution 14, and consider the same, which I send to the desk and ask to have read.

The Clerk read as follows:

Senate Concurrent Resolution 14

Whereas H.R. 8617, the Legislative Branch Appropriation Act, 1935, passed by the House on March 22, 1934, contains a provision on page 9, beginning in line 12 and extending down to and including a part of line 17, as follows:

"For expenses of inquiries and investigations ordered by the Senate, including compensation to stenographers of committees, at such rate as may be fixed by the Committee to Audit and Control the Contingent Expenses of the Senate, but not exceeding 25 cents per hundred words, \$144,455"; and

Whereas the Senate adopted an amendment (no. 21) to the foregoing provision, as follows: On page 9, line 17, strike out "\$144,455" and insert "\$268,955, of which \$150,000 shall be for the fiscal year 1934"; and

Whereas the conferees, in their report on the said bill, which was adopted by both Houses, recommended that the House recede from its disagreement to the said amendment and agree to the same, said amendment therefore not being subject to further amendment; and

Whereas the joint resolution (H.J.Res. 332) to provide appropriations to meet urgent needs in certain public services, and for other purposes, passed by the House on April 26, 1934, was amended by the Senate by inserting on page 1, after line 6, certain language, of which the following is a part:

"SENATE

"For expenses of inquiries and investigations ordered by the Senate, including compensation to stenographers of committees, at such rate as may be fixed by the Committee to Audit and Control the Contingent Expenses of the Senate, but not exceeding 25 cents per hundred words, fiscal year 1934, \$150,000"; and

Whereas the foregoing amendment is a duplication of the appropriation of \$150,000 for the fiscal year 1934, as contained in the Legislative Branch Appropriation Act, 1935: Therefore be it

Resolved by the Senate (the House of Representatives concurring), That in the event the Senate amendment to the foregoing joint resolution (H.J.Res. 332) is agreed to by the House of Representatives, and the existing differences of the two Houses on certain amendments of the Senate to the bill H.R. 8617, the Legislative Branch Appropriation Act, 1935, are adjusted, the Clerk

of the House of Representatives be, and he is hereby, authorized and directed, in the enrollment of the said bill, H.R. 8617, to insert, in lieu of the language contained in said Senate amendment no. 21, the following: "\$118,955."

Mr. SNELL. Mr. Speaker, will the gentleman please tell us what this means? It is a long and complicated resolution. Why is it necessary to do this at this time?

Mr. BUCHANAN. Mr. Speaker, when we passed the legislative appropriation bill we failed to place anything in it for the contingent fund of the Senate, for its investigating committees. The bill went over to the Senate, and they increased the appropriation by \$150,000. That bill came back and went to conference, and we agreed to it, so that that \$150,000 increase is now beyond the control of either the House or the Senate. When we passed the joint resolution the other day for the emergency appropriations, it went to the Senate and they amended that, and put the same \$150,000 on that. So that if we pass them both, they will have twice as much as they need. Therefore, this amendment is to strike that from the legislative bill—the \$150,000—and the next motion I make will be to approve it on the joint resolution that was passed the other day.

Mr. SNELL. If it goes through, unless we do something, we will have two appropriations for that full amount.

Mr. BUCHANAN. Yes; for the same purpose.

Mr. SNELL. And you propose to strike out one of them, and that is the one on the legislative appropriation bill that has not yet become a law.

Mr. BUCHANAN. That is it.

Mr. TABER. The Senate has already passed it.

The SPEAKER. Is there objection?

There was no objection.

The SPEAKER. The question is on agreeing to the resolution.

The resolution was agreed to.

Mr. BUCHANAN. Mr. Speaker, I ask unanimous consent to take from the Speaker's table House Joint Resolution 332, to provide appropriations to meet urgent needs in certain public services, and for other purposes, with a Senate amendment thereto, and concur in the Senate amendment.

The SPEAKER. The gentleman from Texas asks unanimous consent to take from the Speaker's table House Joint Resolution 332, with a Senate amendment thereto, and concur in the Senate amendment.

The Clerk will report the Senate amendment.

The Clerk read as follows:

Page 1, after line 6, insert:

"SENATE

"For expenses of inquiries and investigations ordered by the Senate, including compensation to stenographers of committees at such rate as may be fixed by the Committee to Audit and Control the Contingent Expenses of the Senate, but not exceeding 25 cents per hundred words, fiscal year 1934, \$150,000: *Provided*, That except in the case of the Joint Committee on Internal Revenue taxation, no part of this appropriation shall be expended for services, personal, professional, or otherwise, in excess of the rate of \$3,600 per annum: *Provided further*, That no part of this appropriation shall be expended for per diem and subsistence expenses except in accordance with the provisions of Subsistence Expense Act of 1926, approved June 3, 1926, as amended."

The SPEAKER. Is there objection?

There was no objection.

The Senate amendment was agreed to.

SENATE BILL REFERRED

A bill of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows: S. 305. An act for the relief of William T. J. Ryan; to the Committee on Military Affairs.

ENROLLED JOINT RESOLUTION SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled joint resolution of the House of the following title, which was thereupon signed by the Speaker:

H.J.Res. 332. Joint resolution to provide appropriations to meet urgent needs in certain public services, and for other purposes.

BILLS PRESENTED TO THE PRESIDENT

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee did on this day present to

the President, for his approval, bills of the House of the following titles:

H.R. 3845. An act to amend section 193 of the act entitled "An act to codify, revise, and amend the penal laws of the United States", approved March 4, 1909, as amended by the acts of May 18, 1916, and July 28, 1916; and

H.R. 8389. An act to provide for the custody and maintenance of the United States Supreme Court Building and the equipment and grounds thereof.

ADJOURNMENT

Mr. BYRNS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 27 minutes p.m.) the House adjourned until tomorrow, Thursday, May 3, 1934, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

446. A letter from the Secretary of War, transmitting copy of a radiogram, dated May 1, 1934, received from the Governor General of the Philippine Islands advising that the new Independence Act (Public, No. 127, 73d Cong.) was accepted by concurrent resolution at the special session of the Ninth Philippine Legislature on May 1, 1934; to the Committee on Insular Affairs.

447. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated May 1, 1934, submitting a report, together with accompanying papers, on a preliminary examination of Ogeechee River, Ga., to a point opposite or near Midville, Ga., with a view to improving same for barges and small boats and to connect the same with the inland waterway on the coast of Georgia, authorized by the River and Harbor Act approved July 3, 1930; to the Committee on Rivers and Harbors.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. BULWINKLE: Select committee pursuant to House Resolution 317. House Report 1439. A report of the Select Committee to Investigate Certain Statements Made by One Dr. William Wirt. Referred to the House Calendar.

Mr. DIMOND: Committee on the Territories. H.R. 9371. A bill to authorize the incorporated town of Douglas City, Alaska, to undertake certain municipal public works, including construction, reconstruction, enlargement, extension, and improvements of its water-supply system; and construction, reconstruction, enlargement, extension, and improvements to sewers, and for such purposes to issue bonds in any sum not exceeding \$40,000; without amendment (Rept. No. 1440). Referred to the House Calendar.

Mr. DARDEN: Committee on Naval Affairs. H.R. 6847. A bill providing for the acquisition of additional lands for the naval air station at Hampton Roads Naval Operating Base, Norfolk, Va.; without amendment (Rept. No. 1441). Referred to the Committee of the Whole House on the state of the Union.

Mr. CARTWRIGHT: Committee on Roads. H.R. 7312. A bill to provide for an appropriation of \$50,000 with which to make a survey of the Old Indian Trail known as the "Natchez Trace" with a view of constructing a national road on this route to be known as the "Natchez Trace Parkway"; with amendment (Rept. No. 1442). Referred to the Committee of the Whole House on the state of the Union.

Mr. BANKHEAD: Committee on Rules. H.Res. 372. Resolution for the consideration of H.R. 9392, a bill to reclassify terminal railway post offices; without amendment (Rept. No. 1443). Referred to the House Calendar.

Mr. BANKHEAD: Committee on Rules. H.Res. 373. Resolution for the consideration of S. 3170, an act to revise air-mail laws; without amendment (Rept. No. 1444). Referred to the House Calendar.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. CARTER of Wyoming: Committee on Military Affairs. H.R. 525. A bill for the relief of Harry B. Walmsley; without amendment (Rept. No. 1432). Referred to the Committee of the Whole House.

Mr. TURNER: Committee on Military Affairs. H.R. 888. A bill for the relief of Newton C. Stalnaker; without amendment (Rept. No. 1433). Referred to the Committee of the Whole House.

Mr. THOMPSON of Illinois: Committee on Military Affairs. H.R. 2027. A bill for the relief of Capt. Alexander C. Doyle; without amendment (Rept. No. 1434). Referred to the Committee of the Whole House.

Mr. CARTER of Wyoming: Committee on Military Affairs. H.R. 4775. A bill for the relief of Benjamin F. Gates; without amendment (Rept. No. 1435). Referred to the Committee of the Whole House.

Mr. MAY: Committee on Military Affairs. H.R. 4782. A bill for the relief of Robert Templeton; without amendment (Rept. No. 1436). Referred to the Committee of the Whole House.

Mr. MONTET: Committee on Military Affairs. H.R. 436. A bill for the relief of William Estes; without amendment (Rept. No. 1437). Referred to the Committee of the Whole House.

Mr. MONTET: Committee on Military Affairs. H.R. 8631. A bill for the relief of Samuel Kaufman; without amendment (Rept. No. 1438). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. GOLDSBOROUGH: A bill (H.R. 9456) requiring national banks to obtain indemnity bonds from State-qualified bonding companies; to the Committee on Banking and Currency.

By Mr. TARVER: A bill (H.R. 9457) authorizing transfer by the Director of Emergency Conservation Work of Civilian Conservation Corps camps' buildings and equipment to the Secretaries of Agriculture and the Interior under certain circumstances, and for other purposes; to the Committee on the Public Lands.

By Mr. MONTAGUE: A bill (H.R. 9458) to provide for the appointment of an additional district judge for the eastern district of Virginia; to the Committee on the Judiciary.

By Mr. McDUFFIE: A bill (H.R. 9459) relating to Philippine currency reserves on deposit in the United States; to the Committee on Ways and Means.

By Mr. LAMBETH: Resolution (H.Res. 371) authorizing the printing of the Rules and Manual of the House of Representatives for the Seventy-fourth Congress; to the Committee on Printing.

By Mr. BANKHEAD: Resolution (H.Res. 372) for the consideration of H.R. 9392, a bill to reclassify terminal railway post offices; to the Committee on Rules.

Also, resolution (H.Res. 373) for the consideration of S. 3170, an act to revise air-mail laws; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ALLEN: A bill (H.R. 9460) granting an increase of pension to Elizabeth Diehl; to the Committee on Invalid Pensions.

By Mr. ELLENBOGEN: A bill (H.R. 9461) for the relief of William Sexton; to the Committee on Naval Affairs.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

4447. By Mr. BACON: Petition urging the President and the Congress to adopt the report of the President's Committee on Wild Life Restoration as a basis for legislation and

Executive action designed to increase and protect the wild life of the Nation; to the Committee on Agriculture.

4448. Also, petition of the Legislature of the State of New York, to increase broadcasting time of educational and religious associations to one quarter of all the radio-broadcasting facilities, and urging that station WLWL, operated by the Missionary Society of St. Paul the Apostle, in New York City, be granted a reasonable extension of its broadcasting time; to the Committee on Interstate and Foreign Commerce.

4449. By Mr. BERLIN: Petition of 223 citizens of western Pennsylvania, members of the Local Union, No. 2025, of United Mine Workers of America, petitioning the enactment of the Wagner-Lewis unemployment insurance bill; to the Committee on Labor.

4450. By Mr. BOYLAN: Resolution unanimously adopted by the Veterans' Association, Thirteenth Regiment National Guard, Brooklyn, N.Y., favoring the strengthening of the military and naval forces of the United States, etc.; to the Committee on Military Affairs.

4451. By Mr. CULLEN: Petition of the Veterans' Association, Thirteenth Regiment National Guard, Brooklyn, N.Y., heartily commending the present movement to build up and to maintain our Navy to the point of strength and efficiency where it will be second to the navy of no other nation; to the Committee on Naval Affairs.

4452. By Mr. CULKIN: Petition of the Legislature of the State of New York, urging that Congress and the President adopt the report of the President's Committee on Wild Life Restoration as a basis for legislation and Executive action designed to increase and protect the wild life of the Nation; to the Committee on Agriculture.

4453. Also, petition of the Legislature of the State of New York, urging that Congress enact with all possible speed such measures as may be necessary to increase the broadcasting time of educational and religious associations to one quarter of all the radio broadcasting facilities, and further urging that Station WLWL, owned by the Missionary Society of St. Paul the Apostle, in the city of New York, be granted a reasonable extension of its broadcasting time; to the Committee on Merchant Marine, Radio, and Fisheries.

4454. By Mr. KELLER: Petition of John McMahon and 500,000 associates, of Chicago, petitioning the President of the United States and the National Congress for an investigation of the gold-bond mortgage situation by a special committee of the House of Representatives, as provided in House Resolution 239, known as "the Keller resolution", and to report the result of said investigation with recommendations to the Congress for proper remedies for the shameful abuses now existing all over the country through so-called "bondholders' committees" and other similar agencies; to the Committee on Rules.

4455. By Mr. KENNEY: Petition of the Senate and General Assembly of the State of New Jersey, requesting that the Federal Government pass such measures and take such action necessary to blot out lynch law and vouchsafe to every citizen life, liberty, and the pursuit of happiness as guaranteed in our Bill of Rights; to the Committee on the Judiciary.

4456. Also, petition of the Rosary Society, Holy Rosary Parish, of the city of Edgewater, N.J., calling upon the Senators and Representatives in Congress to support the amendment to section 301 of Senate bill 2910, providing for the insurance of equity of opportunity for educational, religious, agricultural, labor, cooperative, and similar non-profit-making associations seeking licenses for radio broadcasting by incorporating into the statute a provision for the allotment to said non-profit-making associations of at least 25 percent of all radio facilities not employed in public use; to the Committee on Merchant Marine, Radio, and Fisheries.

4457. Also, petition of the Young Ladies' Sodality, Holy Rosary Parish, of the city of Edgewater, N.J., calling upon the Senators and Representatives in Congress to support the amendment to section 301 of Senate bill 2910, providing for the insurance of equity of opportunity for educational, religious, agricultural, labor, cooperative, and similar non-

profit-making associations seeking licenses for radio broadcasting by incorporating into the statute a provision for the allotment to said non-profit-making associations of at least 25 percent of all radio facilities not employed in public use; to the Committee on Merchant Marine, Radio, and Fisheries.

4458. Also, petition of the Township Commission of the Township of North Bergen, State of New Jersey, endorsing House bill 3082 as introduced by Representative EDWARD A. KENNEY (a bill to permit the Reconstruction Finance Corporation to loan money to municipalities on tax-anticipation notes); and he is further urged to use his efforts to bring about the final passage of said bill; to the Committee on Banking and Currency.

4459. Also, petition of Chief Justice White Council, Knights of Columbus, of Bogota-Teaneck, N.J., F. F. Reagan, grand knight, respectfully urging the Senators and Representatives in Congress to support the amendment to section 301 of Senate bill 2910 providing for the insurance of equity of opportunity for educational, religious, agricultural, labor, cooperative, and similar non-profit-making associations seeking licenses for radio broadcasting by incorporating into the statute a provision for the allotment to said non-profit-making associations conducting radio stations of at least 25 percent of all radio facilities not employed in public use; to the Committee on Merchant Marine, Radio, and Fisheries.

4460. Also, petition of the State Board of New Jersey, Ancient Order of Hibernians in America, calling upon the Senators and Representatives in Congress to support the amendment to section 301 of Senate bill 2910, providing for the insurance of equity of opportunity for educational, religious, agricultural, labor, cooperative, and similar non-profit-making associations seeking licenses for radio broadcasting by incorporating into the statute a provision for the allotment to said non-profit-making associations of at least 25 percent of all radio facilities not employed in public use; to the Committee on Merchant Marine, Radio, and Fisheries.

4461. By Mr. McLEOD: Petition of approximately 69,000 citizens of Detroit, Mich., forwarded by the Detroit Times, Detroit, Mich., urging the immediate passage of the McLeod bank depositors pay-off bill; to the Committee on Rules.

4462. By Mr. SMITH of Washington: Petition signed by approximately 350 residents of Lewis and Thurston Counties, State of Washington, in behalf of the Townsend old-age revolving pension plan; to the Committee on Labor.

4463. By Mr. SWICK: Petition of the Cooperative Workers of America, Jesse C. Dufford, president, Doyle Glosner, secretary, of New Castle, Pa., protesting against the shutting down of all R.W.D. projects, and demanding that immediate action be taken to provide work at living wages for all able-bodied workers and full and adequate relief for all families who are unable to work; to the Committee on Ways and Means.

4464. By the SPEAKER: Petition of the Illinois Manufacturers' Association regarding changes in the 1933 Securities Act; to the Committee on Ways and Means.

4465. Also, petition of W. L. Mitchell and others, supporting the share-our-wealth bill, the old-age pension bill, and the war veterans' bill, introduced by Senator LONG; to the Committee on Ways and Means.

4466. Also, petition of the Knights of Columbus, Lowville, N.Y., urging the adoption of the amendment to section 301 of Senate bill 2910; to the Committee on Merchant Marine, Radio, and Fisheries.

4467. Also, petition of the Regular Democratic Organization, Bronx County, N.Y., urging passage of the McLeod bank bill; to the Committee on Banking and Currency.

4468. Also, petition of the provincial government of Pampanga, San Fernando, P.I., regarding the proposed tax on coconut oil; to the Committee on Ways and Means.

4469. Also, petition of the municipal government of Aroroy, Masbate, P.I., regarding the tax on coconut oil; to the Committee on Ways and Means.

4470. Also, petition of the Veterans' Association, Thirteenth Regiment, National Guard, New York, N.Y., supporting a large Navy; to the Committee on Naval Affairs.